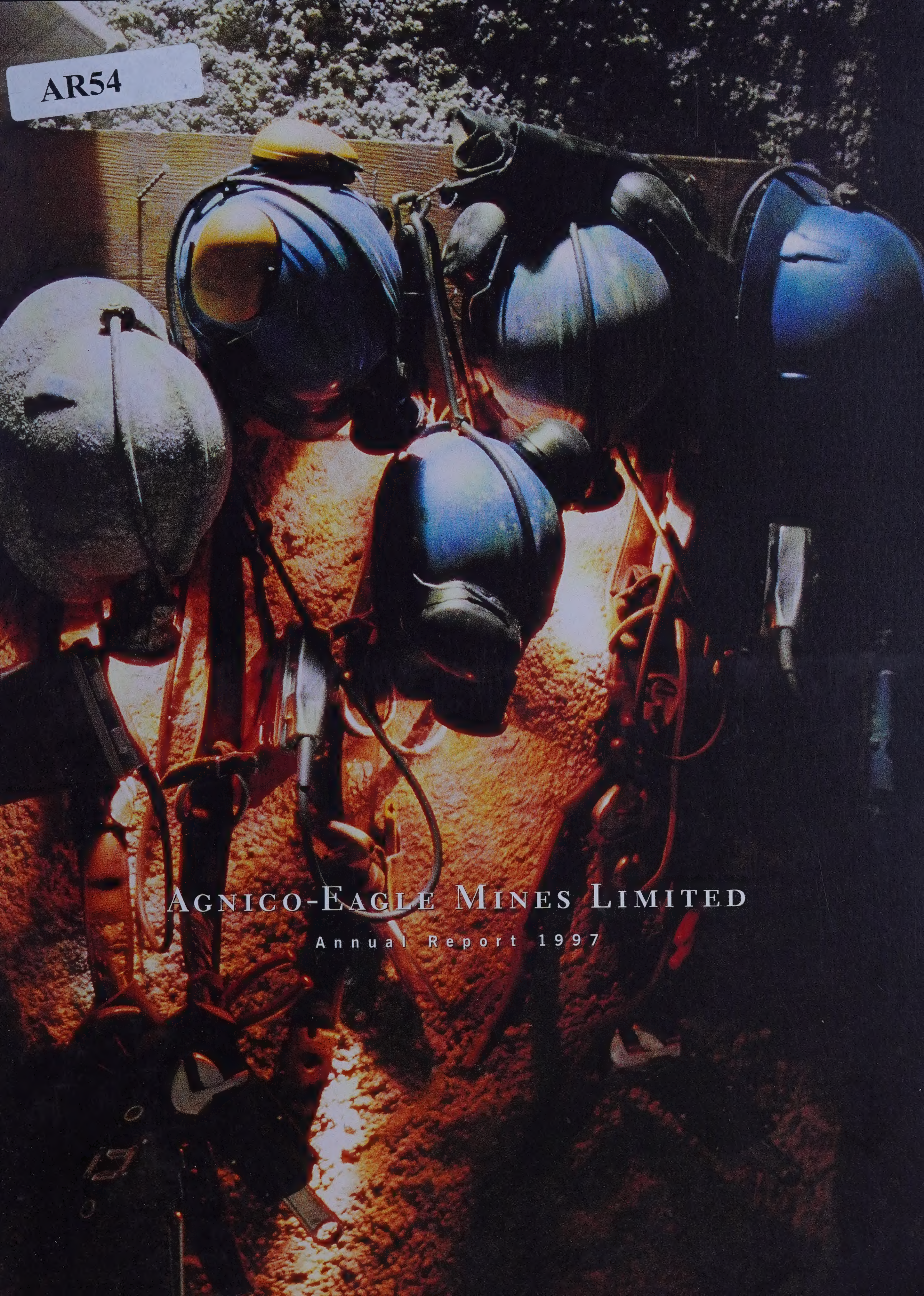


Agnico-Eagle Mines Limited

Annual Report 1997

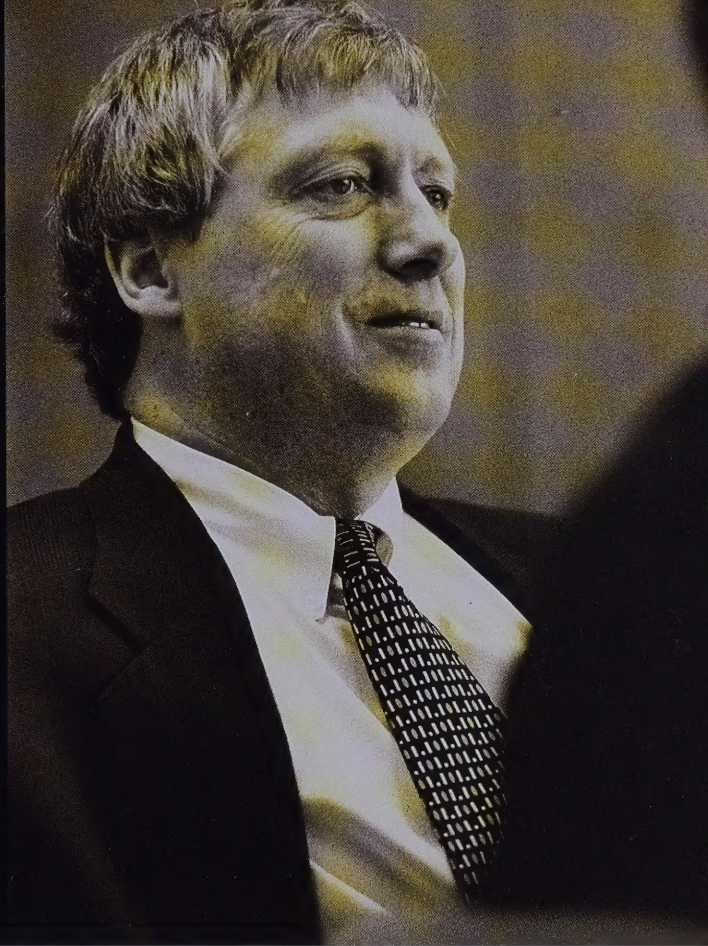
E X P A

N S I O N

Agnico-Eagle is an established Canadian gold producer with over 30 years of precious metals mining. The Company has low-cost operations, growing production and reserves, and a strong financial position. Its operations and exploration activities are centred primarily in the provinces of Ontario and Quebec in Canada's principal mining region.

In 1997, the Company produced approximately 155,000 ounces of gold at a cash operating cost of U.S.$216 per ounce, making Agnico-Eagle one of the most efficient gold producers in North America. Current proven and probable gold reserves stand at 0.8 million ounces, with an additional 3.4 million ounces in the mineral resource category, at the Company's principal operating unit, the LaRonde Division.

The Company's growth strategy is focused on expanding production and reserves at the LaRonde Division and developing additional producing properties internally or through acquisition. Agnico-Eagle's common shares are widely held and traded on the Toronto and Montreal exchanges (AGE) in Canada and the New York Stock Exchange (AEM) in the United States.



Recently appointed President and Chief Executive Officer Sean Boyd along with senior management team: Executive Vice-President Ebe Scherkus; Vice-President and Corporate Secretary Barry Landen; Vice-President, Exploration and Environment Anton Adamcik.

PRESIDENT'S MESSAGE

The past twelve months have been an extremely challenging period for all gold producers, as gold prices have fallen to levels not seen in over 18 years. In this environment, there is an ongoing need to be financially strong to fund our expansion plans. Although Agnico-Eagle has a strong cash position and its operations are low-cost, we have taken a long, hard look at all aspects of our business and chosen to limit expenditures where appropriate and to reduce the carrying value of several non-producing assets. The reduction in expenditures will help to conserve cash while the non-cash charges have resulted in a cleaner balance sheet. These actions will ultimately be in the best interests of both the Company and its shareholders.

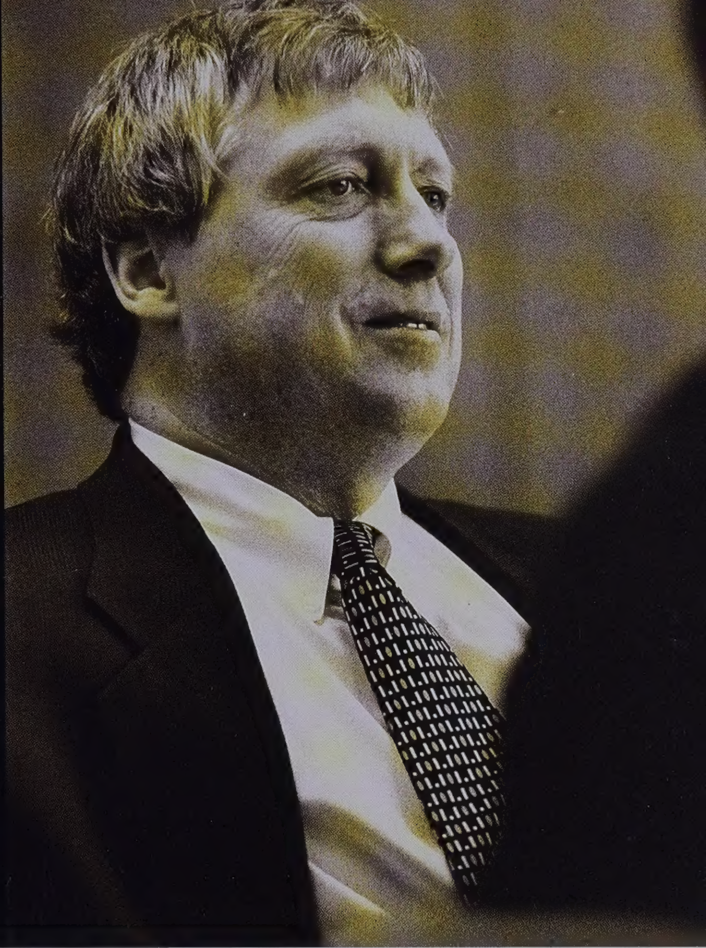
During 1997, our LaRonde Mine continued to perform well, with gold production and operating costs coming in as expected. Agnico-Eagle continues to be one of the most efficient mine operators in the North American gold industry, with cash operating costs of U.S.$216 to produce an ounce of gold in 1997. However, significantly lower gold prices and the reduction in the carrying value of certain assets by $111.2 million, or

Our primary goal is to build Agnico-Eagle into a larger and more profitable gold producer.

$2.59 per share, contributed to an overall 1997 net loss of $121.6 million, or $2.83 per share. On the positive side, Agnico-Eagle's financial position remained strong, with cash at the end of 1997 in excess of $92 million.

Our primary goal is to build Agnico-Eagle into a larger and more profitable gold producer. We plan to produce more gold at a lower cost per ounce, thereby improving returns to our shareholders.

The first phase in this process will see reserves and production increase at our LaRonde Mine. The road to building value, in the short term, will be to move our large mineral resource into reserves and to expand the overall size of the mineralized zones. Gold reserves will be expanded through the continuation of our extensive underground exploration program at LaRonde, where drilling is focused both on the conversion of the existing mineral resource to ore reserves and on the search for extensions or additions to the known mineral resource. We are encouraged by the initial results of our definition drilling program, which have indicated



Recently appointed President and Chief Executive Officer Sean Boyd along with senior management team: Executive Vice-President Ebe Scherkus; Vice-President and Corporate Secretary Barry Landen; Vice-President, Exploration and Environment Anton Adamcik.

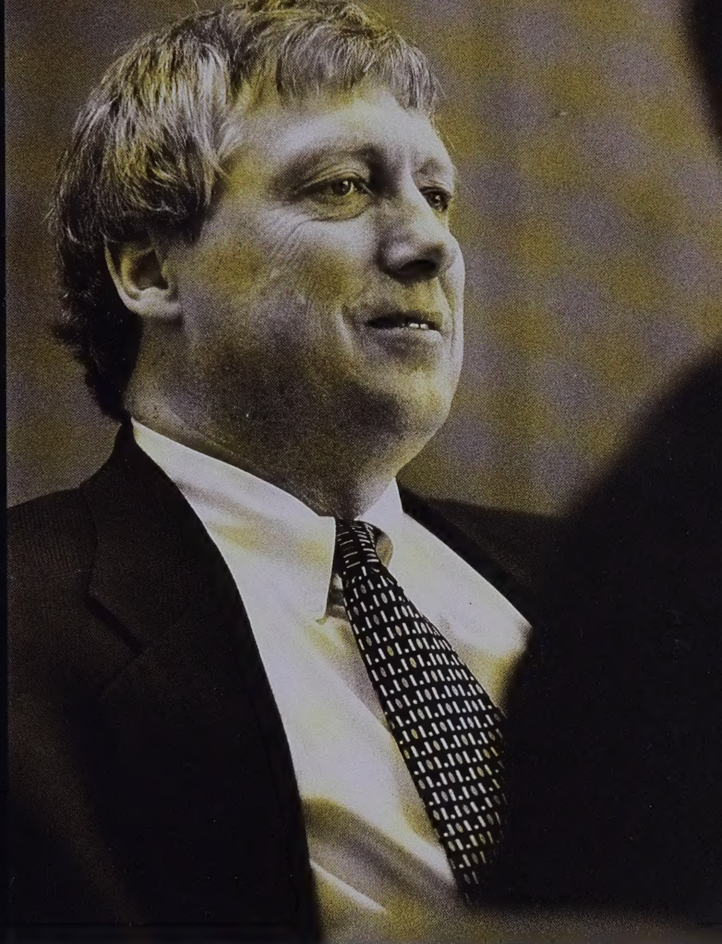
that the largest mineralized zone (20 North) may be larger than current estimates. We have also focused on expanding production at LaRonde by completing the ongoing expansion program, which will see increasing quantities of gold produced at lower cash costs. Construction of the expanded milling facility continues, and Shaft #3 is now over two-thirds complete and is on schedule to reach its planned depth of 7,350 feet by October 1999.

Over the next three years, our annual gold production and operating costs are expected to remain steady, with projections of 150,000 to 160,000 ounces at an average cash cost of approximately U.S.$210 per ounce. Unless gold prices rise, earnings will be difficult to achieve during this period. However, we do have a direct path to higher production, lower costs and increased profitability through our expansion at LaRonde. This program is projected to increase annual gold production to between 220,000 and 250,000 ounces beyond the year 2000. Furthermore, this production is expected to be low-cost, with cash costs averaging U.S.$125 per ounce, due to anticipated increases in by-product silver and zinc production. This production will strengthen our financial position and enhance our ability to grow in any gold price environment.

In addition to aggressively pursuing the internal growth opportunities at LaRonde, the Company is looking to expand its production base through the acquisition of undeveloped mineral resources and/or producing properties. Our growth strategy is based on a continued focus on opportunities in proven gold areas within North America, where we can use our extensive mining experience to add value.

Despite the current low gold price environment, we are in an excellent position to achieve our growth objectives. Our low-cost operations provide us with a sound operating base that also serves as a good operating model to apply to future development opportunities. Furthermore, our solid financial position gives us the financial flexibility to obtain the financing required to fund our expansion plans, and our large land position along the prolific Abitibi Belt is an excellent area to look for new gold mines. Most importantly, our senior management team has the necessary skills and experience to continue to build Agnico-Eagle. In short, our mining personnel know how to build and operate gold mines.

Although the gold price has been beaten down during the past year largely on the prospect of large-scale central bank selling, we remain optimistic that the strength of gold's solid supply/demand fundamentals will move gold closer to its average trading price over the past ten years of approximately U.S.$375 per ounce.



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In a rising gold market, Agnico-Eagle's common shares have traditionally performed extremely well, due principally to its policy of not selling forward future gold production. Even though we firmly believe in the potential of gold, we will not rely solely on higher gold prices to generate returns for our shareholders. We are committed to providing investors with a premier gold play that is characterized by growing reserves and production, low operating costs and a solid financial position.

Regrettably, the Company's annual dividend was affected by our need to conserve cash, with a reduction of 80 percent to U.S.$0.02 per share in 1997. Although the amount of dividends paid has been reduced, our record of 18 consecutive annual dividend payments is an achievement that is rare among gold companies. We will do our best to continue to build on this achievement.

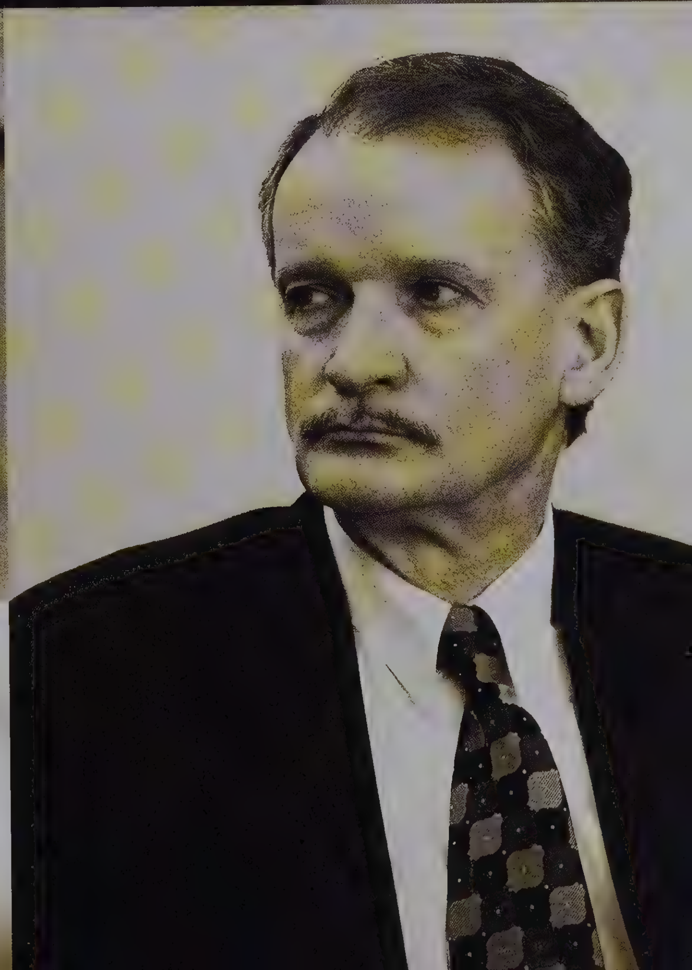
In early 1998, Mr. Wencel Hubacheck retired as President and Chief Executive Officer of Agnico-Eagle. He has been associated with Agnico-Eagle in various capacities as consultant, director and employee for more than 30 years. We thank him for his tireless efforts on behalf of Agnico-Eagle and we look forward to the continued benefits of his wisdom and experience as a director of the Company.

We thank our employees for their dedication, hard work and commitment to building Agnico-Eagle. And we also thank our shareholders for their support and encouragement, and their continued belief in the value of being invested in gold.

Sean Boyd

Sean Boyd
President and Chief Executive Officer

Recently appointed President and Chief Executive Officer Sean Boyd along with senior management team: Executive Vice-President Ebe Scherkus; Vice-President and Corporate Secretary Barry Landen; Vice-President, Exploration and Environment Anton Adamcik



LaRonde Mine Shaft #3

▲ Operator sampling the new copper flotation circuit.

▶ LaRonde mill expansion is well under way with new zinc circuit (seen here) to be fully operational by the third quarter of 1998.

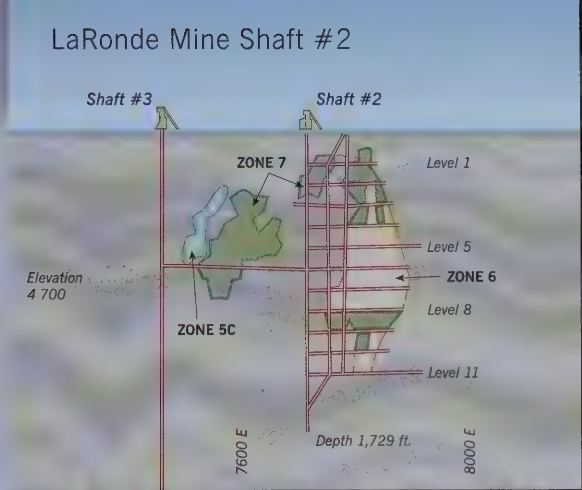
▼ Mining engineers designing ground support ensuring the safe and efficient extraction of ore.

▲ Shaft #3 Probable reserves and mineral resource estimates

		Grade				
Category	Zone	Au (oz/t)	Ag (oz/t)	Cu (%)	Zn (%)	Short Tons
Probable	20N(Au)	0.13	2.04	0.68	0.84	918,253
Probable	20S	0.23	1.68	0.53	2.88	1,015,458
Probable	20N(Zn)	0.02	2.77	0.10	7.98	4,140,646
Total Probable		**0.08**	**2.48**	**0.26**	**6.05**	**6,074,357**
Resource	6	0.13	1.26	0.29	2.11	947,359
Resource	7	0.30	1.41	0.21	2.22	4,199,624
Resource	20N(Au)	0.18	2.85	0.93	1.16	7,426,758
Resource	20S	0.16	0.65	0.27	1.19	1,871,758
Resource	20N(Zn)	0.04	2.66	0.09	9.74	8,696,325
Total Resource		**0.15**	**2.27**	**0.40**	**4.62**	**23,141,824**
Total		**0.13**	**2.31**	**0.37**	**4.92**	**29,216,181**

Shaft #3 Legend

- *Probable Zone 20N (Au)*
- *Probable Zone 20S (Au)*
- *Probable Zone 20N (Zn)*
- *Possible Zone 20N (Au)*
- *Resource Zone 20N (Au)*
- *Resource Zone 20N (Zn)*
- *Resource Zone 20S*
- *Resource Zone 7*
- *Resource Zone 6*
- *Completed Development*
- *Planned Development*



Shaft #1 and #2 Proven and probable reserves

	Grade				
	Au (oz/t)	Ag (oz/t)	Cu (%)	Zn (%)	Short Tons
Shaft #1 Total	0.15	0.45	0.39	0.45	1,920,746
Shaft #2 Total	0.19	1.37	0.64	3.17	429,499

Shaft #1 and #2 Legend

- Ore Reserves Zones 4, 5, 6 and 7
- Possible Zones 4, 5 and 6
- Mined out
- Completed Development

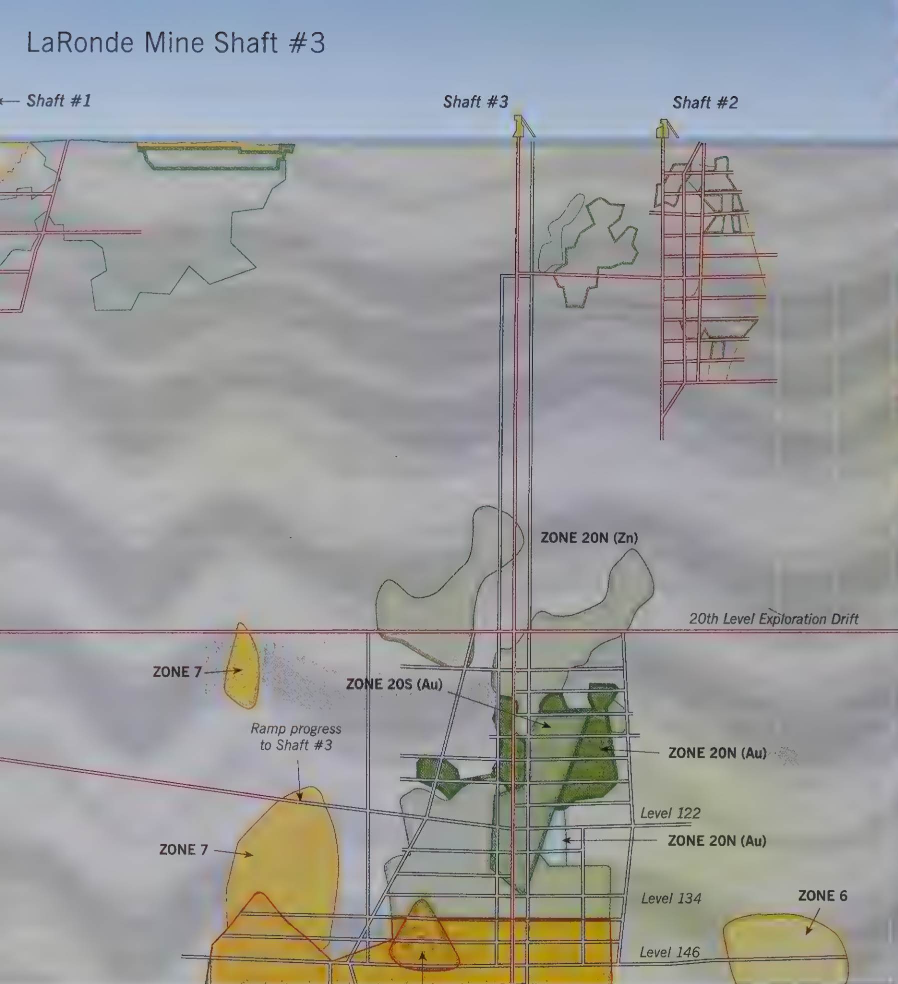
LARONDE DIVISION

At LaRonde, our employees are constantly working to realize the full potential of this world-class gold mine. This is done by aggressively exploring for and developing new reserves, and by continually looking for ways to maximize operating cash flow.

Operations

The LaRonde Division achieved record underground production in 1997, producing a total of 785,539 tons (more than 2,100 tons per day) from its two shafts at an average grade of 0.21 ounces of gold and 0.74 percent copper per ton. The mine produced 154,515 ounces of gold, 280,000 ounces of silver and 8.8 million pounds of copper, generating a cash mine operating profit of $16.4 million. From an operating standpoint, the LaRonde Mine continued to perform efficiently, as costs to produce an ounce of gold remained low at U.S.$216 per ounce compared to U.S.$210 the previous year. On a per-ton basis, operating costs before by-product credits actually declined to U.S.$55 per ton from U.S.$62 the previous year.

In the present low gold price environment, the LaRonde Mine has continued its efforts to reduce operating costs. A monitoring system was installed to control the distribution of electrical power to the mine's



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▼ Mining engineers designing ground support ensuring the safe and efficient extraction of ore.

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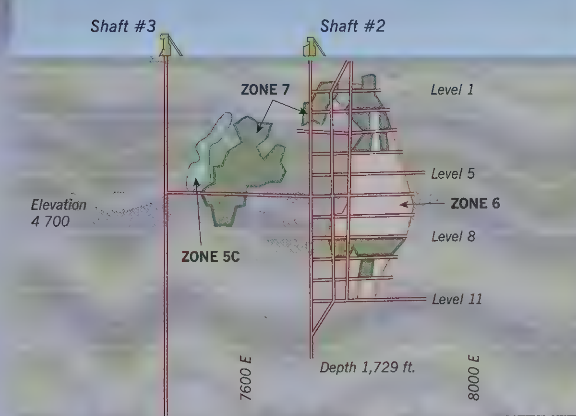
three shafts. Payback on this $250,000 investment is expected in less than one year. The LaRonde Mine operates more than 70 pieces of mining equipment, from service vehicles to computerized production drills. In 1997, new software was acquired to provide improved control over the operating history, maintenance schedule and spare parts inventory of each piece of equipment. This improved control resulted in lower operating costs and increased equipment availability, which enabled the mine to achieve its development targets and process higher tonnage. Cost-saving efforts were also assisted by the acquisition of a third mechanical rockbolter, making the task of ground support safer and more efficient. The safety of Agnico-Eagle's employees is a priority. In 1997, the LaRonde Mine completed the safest year in its ten years of operation, with fewer lost-time accidents than ever before.

Development and Drilling

More than 29,000 feet of development was completed during 1997. One critical component of this development program was the completion of the ramp system down to the 25th level at Shaft #1. Development of the ore block between the 24th and 25th levels was completed, including the installation of the #3 jaw

LaRonde Mine Shaft #2



Shaft #1 and #2 Proven and probable reserves

	Grade				
	Au (oz/t)	Ag (oz/t)	Cu (%)	Zn (%)	Short Tons
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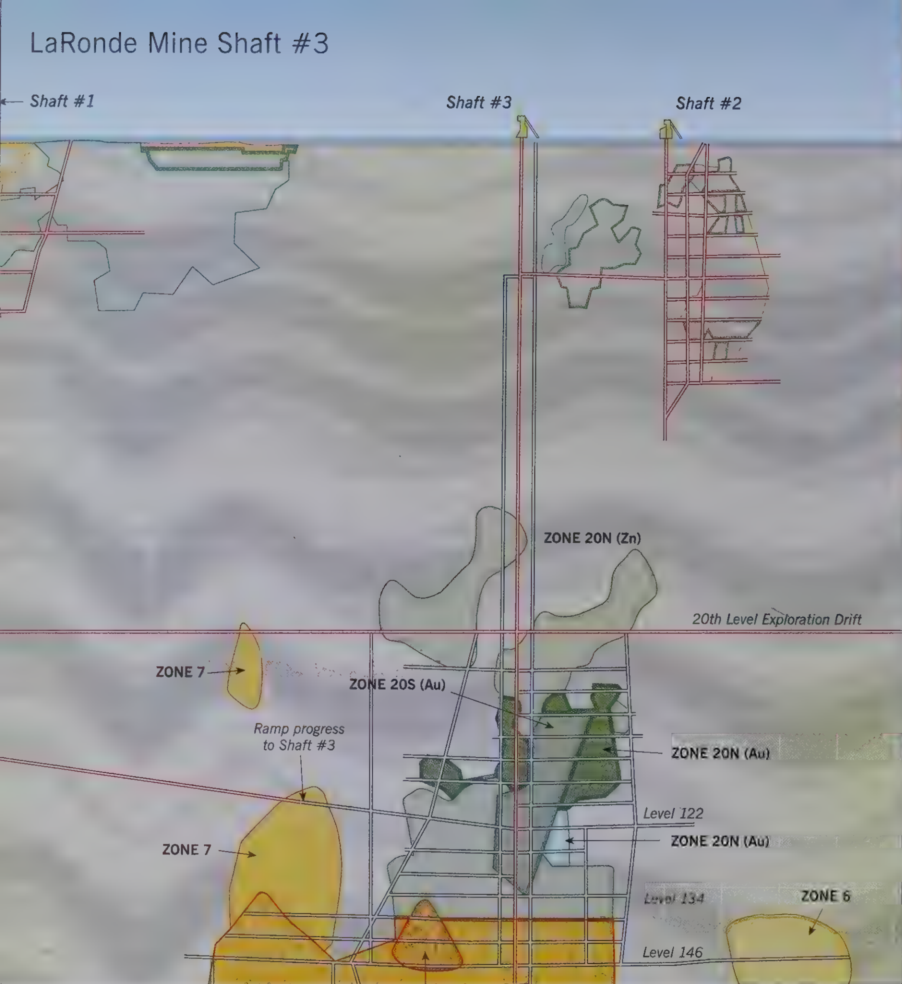
Shaft #1 and #2 Legend

- Ore Reserves Zones 4, 5, 6 and 7
- Possible Zones 4, 5 and 6
- Mined out
- Completed Development

crusher and loading pocket. Production from the lower ore block began in the second half of 1997. In 1998, 250,000 tons grading 0.25 ounces of gold per ton are scheduled to be mined from this area.

A total of 99,000 feet of diamond drilling was completed over the past year. The main purpose of the 1997 drill program was to fully define known areas of mineralization, transfer mineral resource to reserves and add to the overall mineral resource. Of the total footage, 11,000 feet was definition drilling while 88,000 feet was exploration drilling. A total of 74,000 feet was drilled on the Shaft #3 mineralized zones. Definition drilling was started from the new Shaft #3 levels during the fourth quarter of 1997. The diamond drilling continued to test the upper part of the silver/zinc-rich portion of Zone 20 North. A preliminary evaluation of the drilling results from the 8th level (4,600 feet below surface) has indicated that Zone 20 North is both longer and two to three times thicker than originally indicated by widely spaced exploration drill holes. This could have important implications for the ultimate tonnage contained in Zone 20 North. If these increased thicknesses are maintained throughout the entire vertical extent of Zone 20 North, then total reserves in this zone could increase significantly.

One of the most important exploration drill results was obtained from Zone 20 North at a depth of 6,900 feet. Drill hole 20-131H intersected 0.14 ounces of gold a ton, 2.0 ounces of silver and 1.1 percent copper. This is the best drill result obtained at depth to date and confirmed the horizontal continuity of the zone as well as



▲ Operator sampling the new copper flotation circuit.

▶ LaRonde mill expansion is well under way with new zinc circuit (seen here) to be fully operational by the third quarter of 1998.

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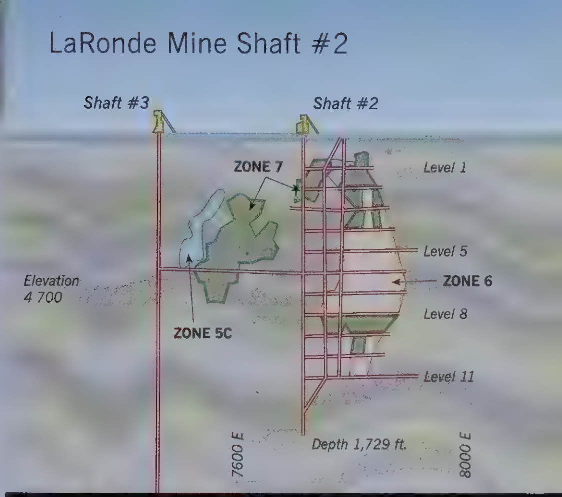
the trend from silver/zinc in the upper elevations to gold/copper at depth. Another important feature of this drill result is its overall width of 61 feet, which may indicate that the approximately 3,000-foot distance between this result and the recent results on Zone 20 North from the 8th level may contain mineralization wider than originally believed. The lower portion of Zone 20 North has a strike length of over 1,600 feet and is open at depth and to the west.

The focus of the 1998 drill program will be to continue to transfer mineral resource to reserves as well as add to the total mineral resource by drilling previously untested areas. A total of 104,000 feet of diamond drilling has been proposed. This footage is part of the original 450,000-foot program proposed to test and evaluate the Shaft #3 zones. The drilling will be focused on three main areas. The first area will see over 42,000 feet drilled from Shaft #3 targeting Zones 20 North, 20 South and 7. Another 40,000 feet of diamond drilling will be conducted from the access ramp between Shaft #1 and Shaft #3, which will be completed by mid-1998. This drilling will target Zones 20 North and 7. Finally, upon the completion of 2,500 feet of level development on the 7th and 8th levels, an additional 22,000 feet of definition diamond drilling will primarily target Zone 20 North.

With drilling and development at Shaft #3 well underway, it is anticipated that the rate at which the large mineral resource will be transferred into reserves will accelerate over the next two years. Of particular significance



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Shaft #1 and #2 Legend

- *Ore Reserves Zones 4, 5, 6 and 7*
- *Possible Zones 4, 5 and 6*
- *Mined out*
- *Completed Development*

will be the definition drilling in 1998 from Shaft #3, which will provide us with the initial information on the thickness of the mineralization contained in Zone 20 North. If the thicknesses are maintained throughout the 1998 drilling program, the mining plan will likely have to be modified to incorporate the mining of increased tonnages from Zone 20 North. It is anticipated that by the end of the year 2000, most of the zones will have been drilled and their size established.

Ore Reserves

With continuing low metal prices, the 1998 ore reserves and mineral resource were calculated using lower long-term metal prices. The gold price was lowered from U.S.$375 per ounce to U.S.$350 per ounce. Silver was lowered from U.S.$5.50 per ounce to U.S.$5.00 per ounce. Copper was lowered from U.S.$0.90 per pound to U.S.$0.80 per pound and zinc was maintained at U.S.$0.50 per pound.

Total proven and probable reserves currently stand at 830,000 contained ounces of gold compared to more than 1.0 million last year, a decline of over 200,000 ounces. The decline can be attributed to production of 155,000 ounces of gold in 1997 and to the use of the lower metal prices in the calculation of ore reserves.

The total mineral resource at LaRonde stood at 3.4 million contained ounces of gold compared to 3.5 million ounces last year. This mineral resource does not include the significant quantities of silver, copper and zinc.

LaRonde Mine Shaft #3

▲ Operator sampling the new copper flotation circuit.

▶ LaRonde mill expansion is well under way with new zinc circuit (seen here) to be fully operational by the third quarter of 1998.

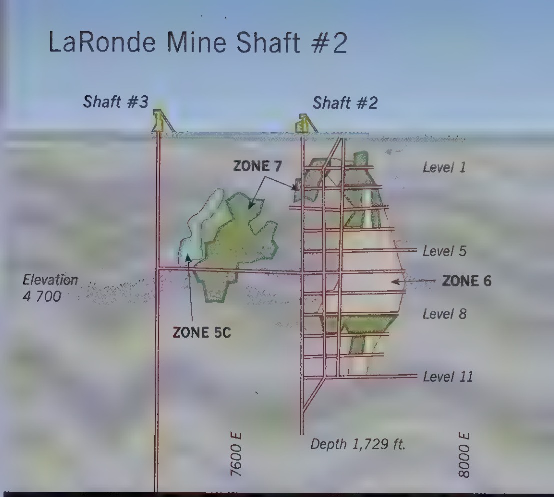
▼ Mining engineers designing ground support ensuring the safe and efficient extraction of ore.

The decline in the resource was due principally to lower metal prices. Combined total contained gold ounces (reserves and mineral resource) stood at 4.2 million ounces compared to 4.5 million ounces last year. At higher gold prices, approximately 0.3 million ounces could be returned to the probable reserve category.

While overall contained gold ounces declined, by-product metal grades improved. The most important change occurred in Zone 20 North. Over the past several years, Zone 20 North has grown to become the largest zone of mineralization on the LaRonde property. Total contained ounces in this zone increased 17 percent from 1.6 million ounces to the current 1.9 million ounces. The global resource (reserves and mineral resource) for the entire property stood at a combined 32.0 million tons at an average combined grade per ton of 0.14 ounces of gold and 2.20 ounces of silver, 0.40 percent copper and 4.50 percent zinc.

Expansion Program

By the end of April 1998, Shaft #3 was over two-thirds complete and had reached a depth of approximately 5,000 feet. The shaft is scheduled to be completed during the fourth quarter of 1999. Underground rock conditions continue to be very good. A mid-shaft bulkhead was installed between the 8th and 9th levels, permitting development to proceed on the 7th and 8th levels using the service hoist while shaft sinking continues.



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Shaft #1 and #2 Legend

- Ore Reserves Zones 4, 5, 6 and 7
- Possible Zones 4, 5 and 6
- Mined out
- Completed Development

Underground development in 1997 was restricted to the ramp development between Shafts #1 and #3. Ramp development was accelerated, advancing a total of 1,400 feet during the year. The ramp is scheduled to reach the 7th level of Shaft #3 (4,150 feet below surface) by July 1998. This ramp will facilitate the development of the Shaft #3 mineralized zones as well as providing new drilling platforms from which to conduct further definition and exploration drilling.

Underground development and construction of underground infrastructure at Shaft #3 will be accelerated in 1998. A total of 5,000 feet of level development has been planned for the 7th, 8th and 9th levels. This development will be used to further define the various mineralized zones as well as to prepare the mine for production at the targeted rate of 3,600 tons per day.

An international geomechanical consulting firm has completed a rock mechanics study of the proposed mining sequence. They have concluded that the ground conditions in the new mineralized zones are superior to conditions currently experienced at Shaft #1. Under the current construction and development plan, the first Shaft #3 ore blocks will be ready for production by the third quarter of 1999. Longer-term production plans call for production from the upper silver/zinc portion of Zone 20 North and gold-rich Zone 20 South, to be followed by production from the gold/copper portion of Zone 20 North at depth and from Zone 7.

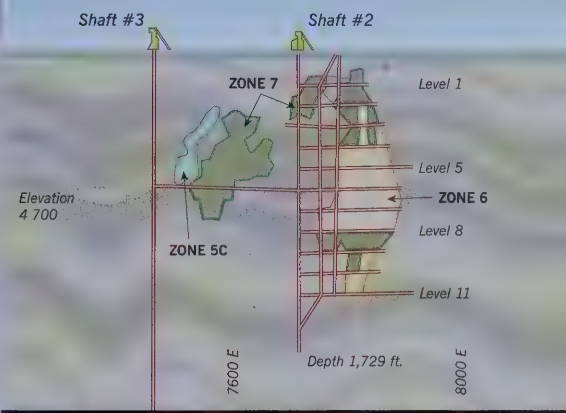
LaRonde Mine Shaft #3

- Operator sampling the new copper flotation circuit.
- LaRonde mill expansion is well under way with new zinc circuit (seen here) to be fully operational by the third quarter of 1998.
- Mining engineers designing ground support ensuring the safe and efficient extraction of ore.

The mill expansion project comprises four main components: expansion of the copper circuit, construction of a new zinc circuit, expansion of the mill capacity from the current 2,000 tons per day to 3,600 tons per day, and installation of ancillary services (i.e., paste backfill plant, water treatment and cyanide destruction facilities). The copper circuit was installed during 1997 and commissioned in August. Copper recovery improved from 81 percent to 82.5 percent. Engineering and the general arrangement of the new zinc circuit was finalized and construction has commenced. The zinc circuit will be completed by July 1998 and the first zinc concentrates are expected to be shipped in August. Upon completion of the zinc circuit, construction will begin before the end of 1998 to increase the daily mill tonnage rate from 2,000 tons per day to 3,600 tons per day and to install the paste backfill plant.

Once the mill and underground projects are completed, annual production of 225,000 ounces of gold, 3.0 million ounces of silver, 10.0 million pounds of copper and 90.0 million pounds of zinc has been projected by the year 2001. Based upon by-product metal price assumptions of U.S.$0.50 per pound for zinc, U.S.$0.85 per pound for copper and U.S.$5.00 per ounce for silver, estimated cash costs to produce an ounce of gold, after deducting the by-product revenue, could be as low as U.S.$125 per ounce in 2001.

LaRonde Mine Shaft #2



Shaft #1 and #2 Proven and probable reserves

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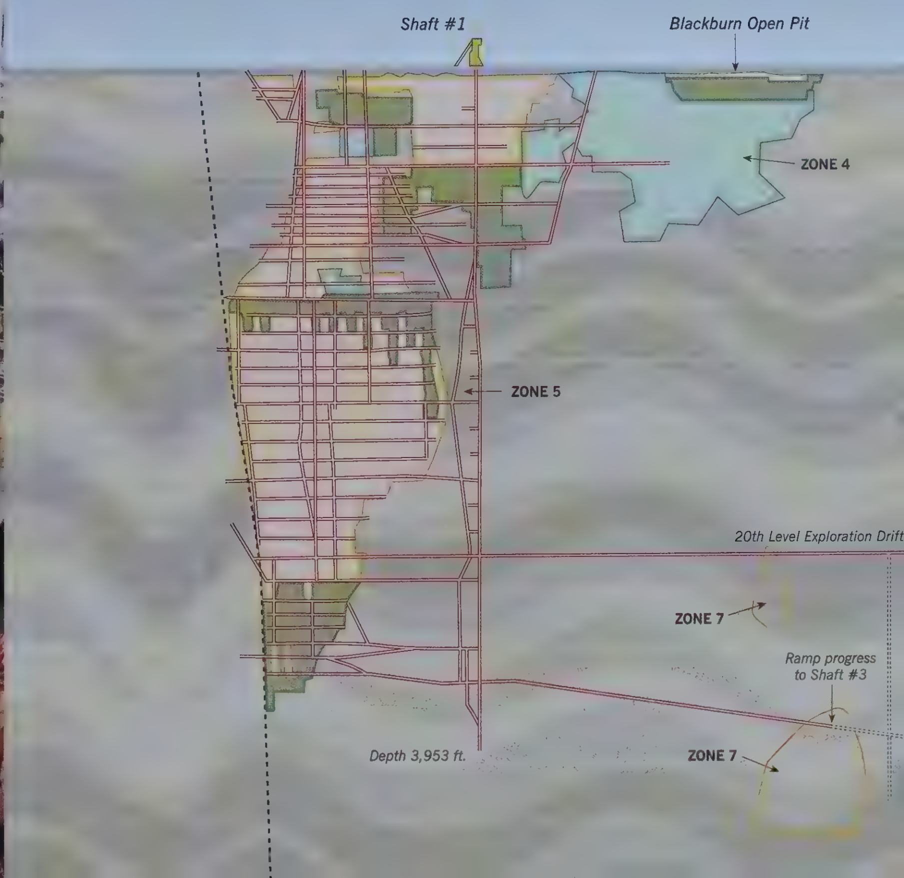
Shaft #1 and #2 Legend

- Ore Reserves Zones 4, 5, 6 and 7
- Possible Zones 4, 5 and 6
- Mined out
- Completed Development

LaRonde Mine Shaft #1



▶ 25th level rockbreaker facility capable of handling ore from both Shaft #1 and Shaft #3.

▶▶ Underground machine shop on the 17th level of Shaft #1.

▼ Electric hydraulic jumbo on Shaft #1 to Shaft #3 ramp development project.

EXPLORATION

Historically, Agnico-Eagle's producing properties have emerged from a combination of primary exploration activities and investment in early-stage exploration companies. Through investments in junior exploration companies, Agnico-Eagle has been able to acquire control of exploration properties at favourable prices and utilize its development and operating expertise to add value by maximizing the potential of these properties. We continue to look for strategic alliances and joint ventures with small exploration companies that will provide early access to attractive gold properties. The Company's goal is to apply the proven operating principles of the LaRonde Division to each of its existing and future development opportunities.

Despite planned reductions in the overall level of exploration spending in 1998, Agnico-Eagle still maintains a strong commitment to exploration, with current exploration activities primarily centred in northern Ontario and Quebec, covering the prolific Abitibi greenstone belt. This region hosts some of Canada's largest gold and base metal deposits, and it continues to be an excellent place to look for new gold deposits. The Company controls more than 200,000 acres of prime exploration land on the Abitibi belt, and we have an established operating presence and a long history of mining in this area. Our exploration objectives in the region are to increase ore reserves at or near existing operations and to establish new property positions and development opportunities.

- 25th level rockbreaker facility capable of handling ore from both Shaft #1 and Shaft #3.
- Underground machine shop on the 17th level of Shaft #1.
- Electric hydraulic jumbo on Shaft #1 to Shaft #3 ramp development project.

In conjunction with exploration programs at our LaRonde Division, our field offices continue to actively acquire and work new ground in the LaRonde and Joutel areas in Quebec and the Kirkland Lake/Temiskaming area in Ontario. In 1998, Agnico-Eagle and its associated companies plan to spend approximately $7.1 million on exploration and development programs outside of the LaRonde Mine.

Goldex Division

Despite the non-cash write down in 1997 of the carrying value of the Goldex Project, we still feel the potential of this asset is good. During 1997, the underground exploration program was completed and a feasibility study is in its final stages. Underground exploration in 1997 confirmed an earlier mineral resource estimate of 25.4 million tons at an average grade of 0.072 ounces of gold per ton.

With the assistance of an outside consultant, several large-tonnage bulk mining scenarios are being reviewed as part of this feasibility work. Preliminary indications are that higher gold prices will be required before the Project can move forward. The Project's assets are presently on care and maintenance, and during this planned delay we will continue our engineering and geological modelling work to enhance the economics of the Project. At higher gold prices, the Goldex Project could become a valuable asset and a source of future gold production.

Exploration Division

Agnico-Eagle's exploration activities in the province of Quebec are carried out by the Exploration Division based in Val d'Or, Quebec. The Division's property holdings comprise 36 properties covering almost 106,000 acres. In 1997, over 36,000 feet of surface drilling was completed on our extensive land holdings in these areas at a cost of $1.8 million. More than 20 properties were evaluated in 1997 and as a result of this work, property positions have been increased in Montbray and LaPause townships.

On the Montbray property, 19 miles west of Rouyn, Quebec, the gold-bearing structure has been traced over 4 miles. A soil geochemical survey carried out along this structure returned till samples bearing gold, including one sample that contained the equivalent of over 16 ounces of gold per ton. Follow-up geochemical work will be carried out during the second quarter in an attempt to determine the source of this high concentration of gold in the till sample.

The Company has also been active in the vicinity of the LaRonde Mine and we are constantly searching for new ore around our existing mine, where infrastructure and capital are already in place. A total of 214 claims have been acquired approximately 1 mile north of Cambior's Doyon Mine. This group of claims will be explored for potential massive sulfide deposits. In an effort to consolidate our land position along the same

- 25th level rockbreaker facility capable of handling ore from both Shaft #1 and Shaft #3.
- Underground machine shop on the 17th level of Shaft #1.
- Electric hydraulic jumbo on Shaft #1 to Shaft #3 ramp development project.

geological trend that hosts the LaRonde Mine, we are presently in discussions with Battle Mountain Gold to acquire the 50 percent interest in our jointly owned property that we do not presently own. This property is located on strike and east of the LaRonde Mine.

Surface exploration of our large property holding in the Vezza area continued in 1997 as part of a two-year program to identify new gold-bearing structures near our Vezza deposit. Although no significant results were obtained in 1997, additional areas will be explored in 1998 including 29 new claims covering the Casa Berardi corridor north of our main property holdings. Underground exploration work was completed on the Vezza deposit in 1997 and the project is not economic at current gold prices. The underground workings were allowed to flood and the surface assets are on a care and maintenance program. The Company has no current plans for further work on the Vezza deposit.

In 1998, the Exploration Division's efforts will be focused on a total of 15 properties and will consist of more than 32,000 feet of drilling. The total program cost in 1998 is budgeted at $1.6 million.

Sudbury Contact Mines, Limited

Agnico-Eagle, together with its associated companies, has an 82 percent interest in Sudbury Contact. Sudbury Contact is an exploration company with interests in more than 20 properties covering almost 63,000 acres in Ontario and Quebec. Sudbury Contact has two principal areas of interest: the first is to develop the gold potential along the Larder Lake-Cadillac Break, in which the main focus is the Victoria Creek Project, and the second is to develop the diamond potential along the Temiskaming Rift, which is a geological structure that extends from Ontario into Quebec. In 1998, Sudbury Contact has budgeted $4.1 million for exploration, including $3.8 million at the Victoria Creek Project.

Sudbury Contact's most advanced project is the Victoria Creek Project, located in the historic Kirkland Lake gold camp in Ontario. Based on earlier surface drilling, the mineral resource at Victoria Creek has been calculated at approximately 5.5 million tons grading 0.10 ounces of gold per ton. During 1997, a shaft was completed to a depth of 1,721 feet and underground development began on two levels. Exploration drilling began in February 1998 to prove the grade and continuity of the mineralized zones. Early indications from this program appear to confirm the results returned from earlier surface drilling. The underground program is expected to be completed during the second quarter of 1998. Given the current low gold price and

▶ 25th level rockbreaker facility capable of handling ore from both Shaft #1 and Shaft #3.

▶▶ Underground machine shop on the 17th level of Shaft #1.

▼ Electric hydraulic jumbo on Shaft #1 to Shaft #3 ramp development project.

the resulting difficulty faced by junior exploration companies in raising financing, it is anticipated that the Victoria Creek Project will be placed on care and maintenance when the current underground exploration program is completed. Accordingly, Agnico-Eagle has written off the carrying value of its investment in Sudbury Contact during 1997.

Exploration work aside from the Victoria Creek Project includes exploration for diamond deposits in Ontario and Quebec along the Temiskaming Rift. Activities in 1997 included detailing potential kimberlite targets with till geochemistry, airborne geophysics and ground checking. Property was acquired during 1997 covering several high-priority targets, resulting in an increase in Sudbury Contact's land position held for diamond exploration to approximately 34,000 acres. In 1997, the company drill-tested 13 potential kimberlite targets. One new discovery was made, kimberlite MR6. This kimberlite structure is approximately 9 acres in size. A 140-pound sample was analyzed for micro/macro-diamond counts but failed to return any diamonds; however, the sample was relatively small and not representative of such a large kimberlite structure. Sudbury Contact is currently seeking a joint venture partner for its diamond project and a number of major diamond explorers have expressed an interest in these property holdings.

Silver Century Explorations Ltd.

Agnico-Eagle, together with its associated companies, has a 78 percent interest in Silver Century. Over the past year, Silver Century has completed an extensive drilling campaign, totalling more than 36,000 feet of drilling in 54 holes. Expenditures on exploration in 1997 totalled $2.6 million. In 1998, exploration expenditures are budgeted at $1.4 million.

In early 1997, Silver Century expanded its property position and subsequent exploration activity. Nine properties were added to the portfolio through an agreement with Phelps Dodge Corporation of Canada, Limited. Under the agreement, which governs the Eastern Canada Venture, Phelps Dodge has agreed to transfer to Silver Century an ownership interest in up to nine properties owned by or optioned to Phelps Dodge provided that Silver Century incurs certain exploration expenses in respect of such properties.

Two of the Eastern Canada Venture properties, the contiguous Stoke and Ascot properties, which are situated just northeast of Sherbrooke, Quebec, returned some encouraging results during 1997. In March 1997, Silver Century reported the discovery of high-grade copper mineralization (5.78 percent copper over 18 feet) on the Stoke property. The mineralization occurs as locally massive pyrite-chalcopyrite bands hosted in a mafic to intermediate pyroclastic unit. Five follow-up holes were drilled during the summer. The best intersection

25th level rockbreaker facility capable of handling ore from both Shaft #1 and Shaft #3.

Underground machine shop on the 17th level of Shaft #1.

Electric hydraulic jumbo on Shaft #1 to Shaft #3 ramp development project.

returned 2.10 percent copper over 10 feet. All holes intersected widespread primarily pyritic sulfide mineralization in the form of disseminations, bands and stringers which locally carried base metal mineralization. Widespread chloritic alteration was also apparent in all holes, most often in those with the best sulfide concentrations. In addition, numerous IP anomalies have been detected in a variety of favourable geological environments with locally coincident zinc and/or lead anomalies. Several conductive trends are in the order of 2,000 feet long and 1,000 feet wide. A winter drilling program began in March 1998 to test the various anomalies, and additional exploration drilling is planned for late 1998 or early 1999.

A second major acquisition for Silver Century was announced in March 1997. Silver Century entered an option agreement with Falconbridge Limited for a property in Strathy and Cassels townships, just north of the town of Temagami, Ontario. Exploration activities over the past year on this property have identified strong gold and polymetallic drill targets along the Link Lake deformation zone. Approximately 4,900 feet of diamond drilling is planned for this property in 1998. Previous Falconbridge drilling results on the property returned gold, silver, copper and zinc values.





MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE COMPANY'S REVENUES ARE DERIVED PRIMARILY FROM THE MINING OF GOLD WHICH IS GENERALLY SOLD AT SPOT MARKET PRICES. AS A RESULT, THE COMPANY'S OPERATING RESULTS ARE DIRECTLY RELATED TO THE PRICE OF GOLD, WHICH CAN FLUCTUATE WIDELY. GOLD PRICES ARE INFLUENCED BY MANY FACTORS WHICH ARE BEYOND THE COMPANY'S CONTROL, INCLUDING CENTRAL BANK SALES, PRODUCER HEDGING ACTIVITIES, GLOBAL DEMAND AND PRODUCTION LEVELS, EXPECTATIONS OF INFLATION AND THE VALUE OF THE U.S. DOLLAR RELATIVE TO OTHER MAJOR CURRENCIES. A MEASURE OF THE COMPANY'S SENSITIVITY TO GOLD PRICE MOVEMENTS IS REFLECTED IN A NET INCOME CHANGE OF APPROXIMATELY $1.3 MILLION FOR EACH U.S.$10 PER OUNCE CHANGE IN THE AVERAGE ANNUAL GOLD PRICE, BASED ON THE COMPANY'S 1997 ANNUAL GOLD PRODUCTION.

The Company's operating income and cash flow is also affected by changes in the U.S./Canadian dollar exchange rate as all of the Company's operating costs are incurred in Canadian dollars and all revenues are earned in U.S. dollars. Based upon the Company's anticipated 1998 income from production, a 5 percent change in the average annual U.S./Canadian dollar exchange rate would affect net income by approximately $2.2 million. To minimize the impact of exchange rate movements on operating results and to take advantage of periods of relative weakness in the Canadian dollar, the Company has periodically utilized foreign exchange forward contracts and options. See Note 12 to the Consolidated Financial Statements for details about the Company's financial instruments and risk management practices.

The degree of profitability of the Company's operations will also be affected by the costs and results of its exploration and development programs. At December 31, 1997, the Company had approximately 800,000 contained ounces of gold in proven and probable gold reserves, which is equivalent to about 5 years of production at current mining rates. In addition, the Company currently has an estimated mineral resource of approximately 3.4 million ounces at the LaRonde Mine, its sole producing property. As mines have limited lives based on proven reserves, the Company seeks to replace and expand its reserves, primarily through exploration and development activities. Although the Company expects that its current exploration and development activities will result in expanded gold reserves and increased production, particularly at its LaRonde Mine, there can be no assurance that gold production will be expanded or reserves will be increased given the various uncertainties inherent in any gold exploration and development program.

RESULTS OF OPERATIONS

In 1997, the Company recorded a net loss of $121.6 million or $2.83 per share compared to net income of $0.3 million or $0.01 per share in 1996 and $18.6 million or $0.50 per share in 1995. Of the total net loss in 1997, $111.2 million, net of income tax, or $2.59 per share relates to the write-off of certain mining assets and related investments and a write down of the carrying value of gold bullion. Additional factors contributing to the decrease in net income in 1997 included much lower realized gold prices, slightly lower gold production and a $1.7 million reduction in interest and sundry income due primarily to lower interest rates and lower average cash balances.

During the 1997 fourth quarter, the Company reviewed the carrying value of all its mining assets and related investments in the context of the lowest gold price in 18 years. The outcome of this review was an adjustment in the carrying value, net of income tax, of the Company's advanced exploration and development projects, including

the Goldex Project of $43.7 million, the Victoria Creek Project of $42.6 million, the Vezza Project of $18.6 million and bullion and other investments of $6.3 million. After these one time non-cash charges, the carrying value of the Goldex, Victoria Creek and Vezza Projects is nil. In addition, the carrying value of the Company's investments in several junior exploration companies is nil.

Revenue for 1997 was $63.4 million, compared with $80.9 million in 1996 and $88.3 million in 1995. Realized gold prices were U.S.$332, U.S.$372 and U.S.$384 for 1997, 1996 and 1995, respectively. A 3 percent decrease in gold production to 154,515 ounces in 1997, compared with 159,558 ounces in 1996 and 167,209 ounces in 1995 also contributed to reduced revenue. The decreased gold production in 1997 was attributable to a slightly lower average gold grade which was partially offset by an increase in the quantity of ore milled in 1997. The lower gold grade, of 0.21 ounces per ton compared to 0.24 ounces per ton in 1996, was the result of mining activities being carried out at increasingly higher levels in the main ore zone where ore grades gradually decline as the mineralization gets closer to surface. In 1998, gold production is expected to be slightly higher than 1997 production levels as the average gold grade is anticipated to increase to 0.23 ounces of gold per ton. Although the LaRonde Division has consistently met its operating and production targets and has not had any significant production interruption since operations commenced in 1988, any adverse condition affecting mining or milling operations at the LaRonde Division could be expected to have a material adverse effect on the financial results of the Company until such time as the condition is remedied.

Cash mine operating costs per ounce at the LaRonde Division increased marginally to U.S.$216 per ounce during 1997 compared to U.S.$210 in 1996 and U.S.$152 in 1995. Lower gold production was the primary factor contributing to the rise in 1997 unit costs. In 1996, the principal reason for the rise in unit costs was the sharp drop in by-product revenue due to reduced copper production and a 27 percent decline in copper prices. With slightly higher unit operating costs and significantly lower gold revenue in 1997, the LaRonde Division recorded a decrease in cash mine operating profit to $16.4 million, compared to $35.1 million in 1996 and record cash mine operating profit in 1995 of $53.3 million. Cash costs of production are expected to remain relatively constant over the next two years until higher by-product metal production is achieved from the expansion program at the LaRonde Division.

In 1997, exploration expense increased to $6.3 million from $5.2 million in 1996 and $4.6 million in 1995. The increase in exploration spending in 1997 was due to an expansion of exploration activity at two associated companies. In 1998 exploration activity at the Company and its associated companies is expected to be significantly reduced in an effort to conserve cash, with planned exploration expenditures of $3.3 million.

The Company's depreciation and amortization expense increased marginally to $10.8 million from $10.2 million in 1996 and $10.1 million in 1995. On a unit cost basis, the 1997 depreciation and amortization charge amounted to U.S.$50 per ounce of gold produced. Depreciation and amortization expense is expected to increase in future periods due to the large capital investment program required to expand output at the LaRonde Division. Any significant increase in depreciation and amortization charges is not expected to occur until full production commences from Shaft #3 at the LaRonde Division, which is expected to occur during the year 2000. The amount of increased depreciation and amortization expense will be determined by the expected economic life of the LaRonde Mine, which is anticipated to be extended as the ongoing exploration and development program expands the ore reserve base.

Administration charges of $7.3 million in 1997 were consistent with the $7.2 million expended in both 1996 and 1995. Assuming current rates of inflation and capital tax rates, the Company does not expect a significant increase in administrative expenses in future periods.

The Company invests its excess cash in low risk Canadian and U.S. dollar short-term investments, and net income is affected by the amount of cash available and the rates of return on such investments. In 1997, lower average cash balances combined with lower interest rates resulted in interest and sundry income declining to $3.9 million from $5.6 million in 1996 and $12.1 million in 1995. Interest rates on short-term cash deposits averaged approximately 3.5 percent in 1997 compared to 4.2 percent in 1996 and 6.9 percent in 1995. Interest expense in 1997 amounted to $12.1 million compared to $11.5 million in 1996 and $11.7 million in 1995. The fluctuation in interest expense is primarily due to changes in the Canadian/U.S. dollar exchange rate as the Company's Convertible Notes due January 27, 2004 are denominated in U.S. dollars. Actual cash interest is significantly less than the interest expense amount as a portion of the interest charged on the Company's Convertible Notes is deferred and paid on maturity. The Company separately presents the equity and liability components of its Convertible Notes. The effective interest rate on the Convertible Notes for accounting purposes is approximately 8 percent. The actual cash interest amounts were $6.5 million, $6.2 million and $6.7 million for 1997, 1996 and 1995, respectively.

LIQUIDITY AND CASH RESOURCES

Cash flow declined in 1997 as a direct result of lower gold prices and reduced gold production. The Company's operating activities, before non-cash working capital adjustments, produced a cash deficit of $1.6 million in 1997 compared to cash flow of $15.8 million in 1996 and $44.4 million in 1995. At December 31, 1997, the Company had a cash position, including gold bullion awaiting settlement, of $131.7 million, compared with $140.4 million at December 31, 1996 and $161.8 million at December 31, 1995. In addition, the Company's working capital at December 31, 1997 was $111.8 million, compared with $119.8 million at December 31, 1996 and $137.3 million at December 31, 1995. In April 1997, the Company strengthened its financial position by completing a public issue of 4 million common shares for net proceeds of approximately $56 million. The Company's long-term debt consists of Convertible Notes with a stated amount at maturity in 2004 of U.S.$126.5 million. The Convertible Notes, which are denominated in U.S. dollars, also act as a natural currency hedge against the Company's U.S. dollar revenue stream. See Note 6 to the Consolidated Financial Statements for a description of the terms of the Convertible Notes.

Although the Company has a strong cash and working capital position and its operations are low cost, several steps have been initiated to conserve cash. In December 1997, the Company's annual dividend was cut by 80 percent to U.S.$0.02 per share, generating an annual savings of $5.2 million. In addition, the Company has refocused its exploration efforts and reduced its annual exploration expenditures by almost 50 percent or $3.0 million. Furthermore, capital expenditure deferrals of $15.0 million and operating and maintenance capital savings of $2.0 million have been implemented at the LaRonde Mine in 1998. Expanding production at the LaRonde Mine is the Company's primary focus. As a result further underground exploration and development on the Company's Goldex and Vezza Projects has been deferred, and the underground exploration program at the Victoria Creek Project has been scaled back and will be completed during the second quarter of 1998.

In 1995 the Company established a U.S.$13 million unsecured hedging facility with a Canadian chartered bank to cover the potential exposure associated with foreign exchange (primarily the exchange rate between the Canadian and U.S. dollars) and gold hedging products. Although the Company's general policy is not to sell forward its gold production, it will review this policy on a project by project basis, making use of its hedging facilities where appropriate to ensure an adequate rate of return on new projects. In addition, given the current gold price environment, the Company is reviewing various price protection strategies to obtain a minimum floor price for future gold production

without limiting the Company's ability to participate in increases in the price of gold. At December 31, 1997 none of the Company's future gold production had been sold forward. In addition, the Company had approximately 52,500 ounces of gold bullion on hand and unsold at December 31, 1997. This gold bullion has been recorded in the accounts at an average price of U.S.$300 per ounce.

The Company also expects to produce increasing quantities of silver and zinc by-product metals as the LaRonde Mine is expanded. To provide some predictability with respect to the level of by-product revenue, the Company will consider hedging its exposure to changes in silver and zinc prices.

Capital investment in 1997 was focused at the LaRonde Division. A total of $37.8 million was spent in 1997 at the LaRonde Division to develop the existing ore body, as well as to expand and develop new ore zones. These expenditures included $17.8 million to extend the ramp from Shaft #1 to Shaft #3 and continue the program to sink Shaft #3 to provide access to the Zone 20 area, $8.9 million for the ongoing expansion program, $8.3 million for underground drifting and drilling and $2.8 million for maintenance capital. Shaft sinking and underground exploration continued at the Vezza Project and the Goldex Project in 1997, with project expenditures of $4.2 million and $1.9 million, respectively. In addition, $8.4 million in exploration expenditures were incurred at the Victoria Creek Project of subsidiary company, Sudbury Contact Mines, Limited. All of these expenditures were financed from cash on hand.

Over the next four years, the Company plans to continue its expansion and capital investment program at the LaRonde Division, with capital expenditures during this period expected to total approximately $214 million. The major project costs during this period relate to the expansion program, which includes an expanded milling facility along with underground development of the new ore zones at an estimated total remaining cost of $170 million over the next four years. In addition, $3.8 million in capital expenditures are planned during 1998 to complete the underground exploration program at Sudbury Contact's Victoria Creek Project.

Based on current gold prices, the expansion program at the LaRonde Division will require the Company to seek external financing of approximately $100 million to fund a portion of the program. Sources of external financing include bank borrowings and future additional debt or equity financings. There can be no assurance that any such financing will be obtainable or that the terms thereof will be attractive to the Company. Actual future capital expenditures, including pre-production costs, will be determined by the success of the exploration and development activities on existing properties and any newly acquired properties.

Although the amounts of dividends paid in the past have varied, the Company has paid a cash dividend to its shareholders in each of the last 18 years. The amount declared in 1997 was reduced to U.S.$0.02 per share to conserve cash, down from U.S.$0.10 paid in 1996 and 1995. Although the Company expects to continue to pay an annual cash dividend, future dividends will be at the discretion of the Company's Board of Directors and will be subject to such factors as the Company's earnings, financial condition and capital requirements.

OUTLOOK

Agnico-Eagle's 1998 gold production is budgeted at approximately 157,000 ounces with average cash production costs per ounce expected to be approximately U.S.$210. The Company anticipates that its average cash costs of production per ounce will remain at these levels until the Company's expansion program is complete at the LaRonde Division during the year 2000. Although cash production costs are anticipated to decline in the year 2000 when significant increases in by-product silver and zinc production are expected, there can be no assurance that the Company will meet its objective of maintaining its status as a low cost gold producer.

The Company's operating costs and capital expenditures include amounts related to the protection of the environment and to compliance with environmental regulations. The Company believes that its operations comply in all material respects with all environmental regulations. However, environmental laws and regulations are subject to constant change and there can be no assurance that future changes will not impact negatively on future operating results. The Company provides for reclamation and site restoration costs and has accrued $5.8 million at December 31, 1997.

The degree of profitability of the Company's operations will also be affected by the costs and results of its exploration and development programs. At December 31, 1997, the Company had approximately 0.8 million contained ounces of gold in proven and probable reserves which is equivalent to about 5 years of production at current mining rates. In addition, the Company currently has an estimated mineral resource at its sole producing LaRonde Mine, of approximately 3.4 million ounces. Proven and probable reserves were calculated based upon a gold price of U.S.$350 per ounce of gold. Recently, gold prices have been significantly below these levels. Prolonged declines in the market price of gold may render reserves containing relatively lower grades of gold mineralization uneconomic to exploit (unless the value of by-products silver and zinc revenue or the utilization of hedging techniques is sufficient to offset such declines) and could reduce materially the Company's reserves. Should such reductions occur, material write downs of the Company's investment in mining properties or the discontinuation of development or production might be required, and there could be material delays in the development of new projects, increased net losses and reduced cash flow. As mines have limited lives based on proven reserves, the Company is aggressively seeking to replace and expand its reserves, through both exploration and acquisition activities. Substantial expenditures are required by the Company to pursue its exploration and development activities. Although the Company is confident that its current exploration and development activities will result in expanded gold reserves and increased production, particularly at its LaRonde Division, there can be no assurance that this will be the case given the various uncertainties inherent in any gold exploration and development program.

YEAR 2000

In early 1998, the Company commenced a year 2000 date conversion project. The project addresses the potential effects the year 2000 date change will have on all hardware and software, and the upgrades and/or purchases that may be required. The Company expects to complete an analysis of its current hardware and software by the middle of 1998. The estimated cost of upgrades and/or purchases that may be required and the time line for implementation are expected to be determined at that time. Management believes that the estimated costs of upgrades and purchases necessary for the year 2000 date conversion will not be significant.

1997 SUMMARIZED QUARTERLY FINANCIAL AND OPERATING DATA

Agnico-Eagle Mines Limited

(thousands of Canadian dollars, except per share and per ounce amounts) [1]	Quarterly Period Ended				
	Mar. 31	Jun. 30	Sept. 30	Dec. 31	Year 1997
Consolidated Financial Results					
Income from production [4]	$ 18,176	$ 18,067	$ 17,549	$ 9,590	$ 63,382
Net loss for the period [3]	$ (773)	$ (1,220)	$ (1,411)	$ (118,190)	$ (121,594)
Loss per share	$ (0.02)	$ (0.03)	$ (0.03)	$ (2.75)	$ (2.83)
Operating cash flow [2], [3], [4]	$ 2,764	$ 2,728	$ 951	$ (8,035)	$ (1,592)
Operating cash flow per share	$ 0.07	$ 0.06	$ 0.02	$ (0.19)	$ (0.04)
Gold production – ounces	38,222	38,063	40,213	38,017	154,515
Average gold price – per ounce produced – U.S.$	$ 353	$ 343	$ 323	$ 308	$ 332
Average exchange rate – U.S.$ per Canadian dollar	0.7361	0.7217	0.7220	0.7096	0.7220
Divisional Operating and Financial Summary					
LaRonde Division					
Income from production [4]	$ 18,176	$ 18,067	$ 17,549	$ 9,590	$ 63,382
Cash mine operating costs	11,066	11,258	11,968	12,721	47,013
Cash mine operating profit (loss)	$ 7,110	$ 6,809	$ 5,581	$ (3,131)	$ 16,369
Tons of ore milled	195,288	199,396	183,138	207,717	785,539
Grade – ounces of gold per ton	0.21	0.21	0.24	0.20	0.21
Gold production – ounces	38,222	38,063	40,213	38,017	154,515
Copper production – pounds	2,353,308	2,550,525	2,102,286	1,838,322	8,844,441
Cash operating costs – per gold ounce produced net of by-product revenue – U.S.$	$ 213	$ 213	$ 215	$ 223	$ 216

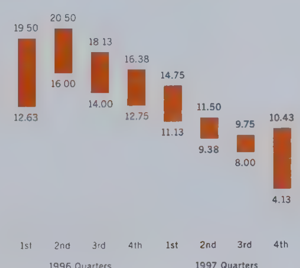
[1] *All dollar figures are expressed in Canadian funds unless otherwise indicated.*
[2] *Before non-cash working capital adjustments.*
[3] *Net loss and net loss per share for the fourth quarter includes the write down of the carrying value of gold bullion, mining properties and related investments, net of income tax, of $111,174 and $2.59 per share, respectively.*
[4] *Income from production and operating cash flow in the fourth quarter includes the write down of the carrying value of gold bullion to net realizable value by $4,771 or $0.11 per share.*

Share Price Performance (Cdn.$)

(Quarterly high/low closings, in dollars per share)

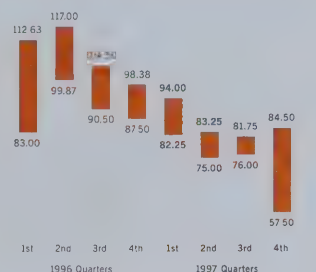
Share Price Performance (U.S.$)

(Quarterly high/low closings, in dollars per share)



Convertible Notes Due 2004 (U.S.$)

(Quarterly high/low closings, in dollars per share)



SELECTED FINANCIAL AND OPERATING DATA

Agnico-Eagle Mines Limited
(Incorporated under the laws of Ontario)

Year ended December 31, (thousands of Canadian dollars, except per share and per ounce amounts)	1997	1996	1995	1994	1993
Financial Data *[1]*					
Income from production	$ 63,382	$ 80,859	$ 88,344	$ 76,562	$ 77,508
Costs of production and other expenses	72,154	69,207	58,700	57,790	68,327
Write down of mining properties	122,041	–	–	–	–
Operating income (loss)	(130,813)	11,652	29,644	18,772	9,181
Other income (expense)	(9,900)	(11,136)	58	1,731	(685)
Income and mining taxes recovery (expense)	19,119	(200)	(11,089)	(8,180)	(1,320)
Minority interest	–	–	–	(85)	211
Net income (loss)	$ (121,594)	$ 316	$ 18,613	$ 12,238	$ 7,387
Earnings (loss) per share	$ (2.83)	$ 0.01	$ 0.50	$ 0.33	$ 0.23
Cash dividend declared per share – U.S.$	$ 0.02	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Capital expenditures	$ 52,290	$ 54,343	$ 59,924	$ 38,133	$ 18,948
Working capital	$ 111,760	$ 119,830	$ 137,279	$ 157,073	$ 45,208
Total assets	$ 334,645	$ 412,034	$ 383,908	$ 357,280	$ 190,821
Senior convertible notes	$ 145,104	$ 134,275	$ 128,842	$ 127,818	$ –
Common shareholders' equity	$ 135,841	$ 201,163	$ 190,954	$ 173,363	$ 152,188
Weighted number of shares outstanding	42,918	38,741	37,137	36,880	31,954
Average gold price per ounce produced – U.S.$	$ 332	$ 372	$ 384	$ 388	$ 362
Operating and Financial Data					
LaRonde Division					
Income from production	$ 63,382	$ 80,859	$ 88,344	$ 76,533	$ 71,299
Cash mine operating costs	47,013	45,765	35,073	34,436	39,222
Cash mine operating profit	$ 16,369	$ 35,094	$ 53,271	$ 42,097	$ 32,077
Tons of ore milled	785,539	729,362	728,064	620,217	638,523
Grade – ounces of gold per ton	0.21	0.24	0.25	0.25	0.26
Gold production – ounces	154,515	159,558	167,209	144,584	152,355
Copper production – pounds	8,844,441	10,489,087	12,183,871	10,267,443	9,207,872
Silver production – ounces	279,938	295,674	330,532	268,004	270,671
Cash operating costs – per ton milled, net of by-product revenue – U.S.$	$ 43	$ 46	$ 35	$ 41	$ 48
Cash operating costs – per gold ounce produced, net of by-product revenue – U.S.$	$ 216	$ 210	$ 152	$ 174	$ 199

[1] All dollar figures are expressed in Canadian funds unless otherwise indicated.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Agnico-Eagle Mines Limited

The accompanying consolidated financial statements of Agnico-Eagle Mines Limited and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles that are generally accepted and considered to be the most appropriate in the circumstances. The consolidated financial statements are not precise, since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

Agnico-Eagle Mines Limited maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and a majority of its members are independent directors. The Audit Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders.

The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. Ernst & Young has full and free access to the Audit Committee.

Sean Boyd

Sean Boyd, President and Chief Executive Officer

Toronto, Canada,

February 24, 1998.

AUDITORS' REPORT

To the Shareholders of Agnico-Eagle Mines Limited:

We have audited the consolidated balance sheets of Agnico-Eagle Mines Limited as at December 31, 1997 and 1996 and the consolidated statements of income (loss), retained earnings (deficit) and contributed surplus and cash flows for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1997 in accordance with accounting principles generally accepted in Canada.

Ernst & Young

Chartered Accountants
Toronto, Canada,
February 24, 1998.

CONSOLIDATED BALANCE SHEETS

Agnico-Eagle Mines Limited
(Incorporated under the laws of Ontario)

As at December 31, (thousands of Canadian dollars)	1997	1996
Assets		
Current		
Cash and cash equivalents	$ 92,470	$ 87,071
Gold bullion and bullion awaiting settlement *(Note 2)*	39,182	53,306
Prepaid expenses, supplies and other	9,429	10,372
Total current assets	141,081	150,749
Investments, loans, advances and other assets *(Notes 3 and 4)*	12,182	8,405
Mining properties *(Note 5)*	181,382	252,880
	$ 334,645	$ 412,034
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	$ 17,876	$ 15,664
Dividends payable	2,147	6,097
Income and mining taxes payable	6,587	6,558
Current interest due on senior convertible notes	2,711	2,600
Total current liabilities	29,321	30,919
Senior convertible notes *(Note 6)*	145,104	134,275
Reclamation provision	5,501	5,108
Deferred income and mining taxes	11,542	33,225
Minority interest	7,336	7,344
Shareholders' Equity		
Common shares *(Note 8)*		
Authorized – unlimited		
Issued – 45,663,981 (1996 – 40,098,721)	242,846	174,234
Other paid-in capital *(Note 6)*	22,287	22,287
Contributed surplus	9,482	9,482
Retained earnings (deficit)	(111,857)	13,895
Company's own shares held by subsidiary companies *(Note 8(a))*	(26,917)	(18,735)
Total shareholders' equity	135,841	201,163
	$ 334,645	$ 412,034

Contingency (Note 9)
See accompanying notes

On behalf of the Board:

Charles E. Langston, Director

James D. Nasso, Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Agnico-Eagle Mines Limited

Years ended December 31, (thousands of Canadian dollars, except per share amounts)	1997	1996	1995
Income from production *(Note 2)*	$ 63,382	$ 80,859	$ 88,344
Costs of production, net of by-product revenue of $13,933 (1996 – $15,739; 1995 – $24,559) *(Note 2)*	47,836	46,713	36,828
	15,546	34,146	51,516
Exploration expense	6,282	5,179	4,611
Depreciation and amortization	10,764	10,165	10,075
Administration *(Notes 11(a) and (b))*	7,272	7,150	7,186
Write down of mining properties *(Note 5)*	122,041	–	–
Operating income (loss)	(130,813)	11,652	29,644
Other income (expense):			
Interest and sundry income –			
Related parties *(Note 11(c))*	–	85	121
Other	3,945	5,542	12,036
Gain on sale (write down) of investments *(Note 3)*	(704)	232	–
Foreign exchange loss	(1,064)	(536)	(441)
Other expense *(Note 11(c))*	–	(5,000)	–
Interest expense *(Note 6)*	(12,077)	(11,459)	(11,658)
	(9,900)	(11,136)	58
Income (loss) before income and mining taxes	(140,713)	516	29,702
Income and mining taxes *(Note 10)*	(19,119)	200	11,089
Net income (loss) for the year	$ (121,594)	$ 316	$ 18,613
Earnings (loss) per share	$ (2.83)	$ 0.01	$ 0.50

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT) AND CONTRIBUTED SURPLUS

Agnico-Eagle Mines Limited

Years ended December 31, (thousands of Canadian dollars)	1997	1996	1995
Retained Earnings (Deficit)			
Balance, beginning of year	$ 13,895	$ 18,847	$ 5,303
Net income (loss) for the year	(121,594)	316	18,613
	(107,699)	19,163	23,916
Dividends declared (1997 – U.S.$0.02 per share, 1996 and 1995 – U.S.$0.10 per share)	(1,256)	(5,268)	(5,069)
Share issue costs, net of related income taxes of $1,817 *(Note 8(c))*	(2,902)	–	–
Balance, end of year	$ (111,857)	$ 13,895	$ 18,847
Contributed Surplus			
Balance, beginning of year	$ 9,482	$ 9,567	$ 4,736
Gain (loss) on sale of the Company's own shares held by subsidiary companies (net of related income taxes of $9,014 in 1996 and $1,368 in 1995)	–	(85)	4,831
Balance, end of year	$ 9,482	$ 9,482	$ 9,567

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Agnico-Eagle Mines Limited

Years ended December 31, (thousands of Canadian dollars)	1997	1996	1995
Operating Activities			
Net income (loss) for the year	$ (121,594)	$ 316	$ 18,613
Add (deduct) items not affecting cash			
Write down of mining properties	122,041	–	–
Depreciation and amortization	10,764	10,165	10,075
Deferred income and mining taxes	(19,866)	(48)	10,262
Amortization of deferred financing costs, interest and foreign exchange loss on senior convertible notes	6,324	5,607	5,490
Other	739	(237)	7
	(1,592)	15,803	44,447
Net change in non-cash working capital balances related to operations	(1,898)	(3,136)	(1,756)
Cash provided by (used in) operating activities	(3,490)	12,667	42,691
Investing Activities			
Additions to mining properties	(52,290)	(54,343)	(59,924)
Increase in investments in subsidiary and associated companies	(8,998)	(6,342)	(4,073)
Increase in investments and other assets	(12)	(19)	(208)
Proceeds on sale of investments *(Note 3)*	24	1,551	1,056
Increase in advances to related parties	(33)	(168)	(208)
Repayment of advances to related parties	26	2,848	207
Cash used in investing activities	(61,283)	(56,473)	(63,150)
Financing Activities			
Dividends	(5,206)	(5,031)	(5,140)
Capital stock issued *(Notes 8(b) and (c))*	68,612	3,565	1,047
Share issue costs *(Note 8(c))*	(4,719)	–	–
(Purchase) resale of the Company's own shares (net of increase (decrease) in amounts due to brokers of $5,208 (1996 – $(4,039); 1995 – $(989)))	(2,974)	23,686	2,979
Proceeds from issuance of common shares by subsidiary companies	335	136	166
Cash provided by (used in) financing activities	56,048	22,356	(948)
Net decrease in cash during the year	(8,725)	(21,450)	(21,407)
Cash position, beginning of year	140,377	161,827	183,234
Cash position, end of year	$ 131,652	$ 140,377	$ 161,827
Changes in components of cash			
Cash and cash equivalents	$ 5,399	$ (37,432)	$ (47,413)
Gold bullion and bullion awaiting settlement	(14,124)	15,982	26,006
	$ (8,725)	$ (21,450)	$ (21,407)

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of Agnico-Eagle Mines Limited ("Agnico" or the "Company") have been prepared in accordance with accounting principles generally accepted in Canada which, as applied in these consolidated financial statements, are consistent in all material respects with accounting principles generally accepted in the United States, except as described in *Note 13.* Since a precise determination of many assets and liabilities depends on future events, the presentation of consolidated financial statements for a period necessarily involves the use of estimates and approximations. Actual results may differ from such estimates and approximations. The consolidated financial statements have, in management's opinion, been prepared within reasonable limits of materiality and within the framework of the accounting policies referred to below.

Nature of operations

The Company is involved in the exploration, development and mining of gold exclusively in Canada. Copper and silver are accounted for as by-product revenue.

The Company's financial position and operating income are directly related to the market price of gold, copper and silver in relation to the Company's costs of production. In addition, changes in the U.S./Canadian dollar exchange rate impact the Company's operating income and financial position. Gold, copper and silver prices, and the U.S./Canadian dollar exchange rate, fluctuate widely in response to numerous factors beyond the Company's control.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and all its subsidiaries, including its associated company, Long Shots Inc. ("Long Shots"), which is classified as a subsidiary for accounting purposes. The Company consolidates its 49.4% effective direct and indirect ownership interest in Long Shots on the basis of the Company's ability to determine its strategic operating, investing and financing policies. Interests in other associated companies in which Agnico has significant influence are accounted for on the equity basis. The difference between the cost of the shares of associated companies and the underlying net book value of the assets is amortized over the lives of the assets to which the difference is attributed. Other long-term investments are accounted for on the cost basis. Individual long-term investments are written down when any loss in value is other than temporary.

The Company recognizes gains and losses on the effective disposition of interests in associated companies arising when such associated companies issue treasury shares to third parties. Gains are recognized only if there is reasonable assurance of realization.

Company's own shares held by subsidiary companies

Two subsidiary companies own shares in Agnico. The cost of the Company's own shares held by subsidiary companies has been presented in the consolidated balance sheets as a reduction of shareholders' equity. Similarly, Agnico's earnings per share has been calculated based on the number of shares outstanding after reduction for the Company's own shares held by subsidiary companies. Changes in the Company's own shares held by subsidiary companies result from purchases and sales of the Company's shares by subsidiary companies.

Cash and cash equivalents

The cash position includes cash and cash equivalents with maturities of three months or less.

Gold bullion

Gold bullion is recorded at net realizable value once it reaches a saleable form and revaluations based on fluctuations in market prices are included in revenue.

Bullion awaiting settlement

Bullion awaiting settlement represents metal products sold directly to a smelter and is valued at net realizable value, adjusted periodically and upon final settlement.

Supplies

Supplies, consisting of mine stores inventory, are valued at the lower of average cost and replacement cost.

Deferred financing costs

Deferred financing costs relating to the issuance of the senior convertible notes are being amortized to income over the term of the obligation. If the holders exercise their conversion option, the common shares issued on such conversion will be recorded at an amount equal to the aggregate of the carrying value of the long-term liability and the conversion option extinguished, net of the associated deferred foreign exchange loss and financing costs, with no gain or loss being recognized in earnings.

Mining properties, plant and equipment and deferred expenditures

Mining properties are carried at cost and are amortized using the unit-of-production method based on the expected economic life of each mine. Mining properties that are abandoned are written off.

Plant and equipment, including improvements, are initially recorded at cost. The LaRonde Division records depreciation on plant and equipment on a unit-of-production basis based on the estimated proven and probable ore reserves of the mine. Repairs and maintenance expenditures are charged to costs of production. Major improvements and replacements which extend the useful life of an asset are capitalized and depreciated over the remaining useful life of that asset.

Deferred expenditures represent accumulated exploration and preproduction costs and are not intended to reflect present or future economic values. Mineral exploration expenditures are expensed unless they relate to properties from which a productive result is reasonably certain and on which work is in process. Deferred expenditures relating to a property which is abandoned or considered uneconomic for the foreseeable future are written off.

The amounts capitalized for mining properties, plant and equipment and deferred expenditures are reviewed for possible impairment whenever events or circumstances occur that suggest the carrying value of these assets may not be fully recoverable. If the estimated future net cash flows that are expected to be derived from mining properties, plant and equipment and deferred expenditures, together with any residual values, are less than the carrying value of such assets, then a write down is recognized based upon the estimated undiscounted future net cash flows calculated using estimates of proven and probable ore reserves, future expected revenue, estimated operating costs, future reclamation costs and related income and mining taxes.

Reclamation costs

Estimated reclamation costs are based primarily on environmental and regulatory requirements and are accrued, on an undiscounted basis, as a cost of production, when reasonably determinable, on a unit-of-production basis over the remaining life of each mine. Management regularly reviews the accrued reclamation costs, which are revised for changes in future estimated costs and/or changes in regulatory requirements.

Revenue recognition

Gold bullion is recorded at net realizable value once it reaches a saleable form. Metal products sold to a smelter are recorded at net realizable value when they are received by the smelter. In both cases, the estimated net realizable value is included in revenue and gold bullion and bullion awaiting settlement. By-product revenue is accounted for as a reduction of costs of production.

Foreign currency transactions

The gains and losses arising from the translation of foreign currency transactions and balances are included in net income, except for those on long-term debt denominated in foreign currency, which exchange differences are deferred and amortized over the remaining term of the related obligation.

The Company periodically utilizes derivative financial instruments to hedge the effect of exchange rate changes on identified foreign currency exposures. Any gains and losses on these contracts are recorded as part of the related transactions.

Income and mining taxes

The Company records income and mining taxes using the deferral method of income tax allocation. Differences between accounting and taxable income occur as a result of claiming items for income and mining taxes that differ from those recorded for accounting purposes. The tax effect of the resultant differences is reflected on the consolidated balance sheets as deferred income and mining taxes.

Pension costs and obligations

The Company maintains a defined contribution plan covering all its employees. The plan is funded by Company contributions based on a percentage of earnings for services rendered by employees.

The Company had a defined benefit pension plan for its salaried employees until June 30, 1997. Effective July 1, 1997, the Company's defined benefit plan was converted to a defined contribution plan. Effective July 1, 1997, the Company also provides a non-registered supplementary executive retirement defined benefit plan for its senior officers. The executive retirement plan benefits are generally based on the employees' years of service and level of compensation. Pension expense related to the defined benefit plan is the net of management's best estimate of the cost of benefits provided, the interest cost of projected benefits, return on plan assets and amortization of experience gains and losses. Pension fund assets are valued at current market values. Plan surpluses or deficits, experience gains or losses and the cost of pension plan improvements are amortized on a straight-line basis over the expected average remaining service life of the employee group.

(thousands of Canadian dollars, unless otherwise indicated)

2. GOLD BULLION AND BULLION AWAITING SETTLEMENT

	1997	1996
Gold bullion	$ 23,584	$ 31,925
Bullion awaiting settlement	15,598	21,381
	$ 39,182	$ 53,306

Gold accounted for 100% of the Company's revenue. By-product revenue in 1997 and 1996 consisted of 87% (1995 – 90%) and 13% (1995 – 10%) of refined copper and silver sales, respectively.

3. INVESTMENTS

In 1997, the Company acquired an additional 9.0% (1996 – 10.3%) of Sudbury Contact Mines, Limited ("Sudbury Contact"), a gold and diamond exploration company, for cash consideration of $8,415 (1996 – $5,884), which brought the Company's direct and indirect ownership interest in Sudbury Contact to 65% at December 31, 1997 (1996 – 56%). These acquisitions have been accounted for by the purchase method. In 1997, the cost of the shares acquired exceeded the underlying book value of the assets by $8,217 (1996 – $4,775), which amount was ascribed to mining properties *(Note 5)*.

In 1997, the Company wrote off the carrying value of its investments in other publicly traded companies of $704. At December 31, 1996, the carrying value of these investments was $692 (quoted market value – $821).

In 1996, the Company realized proceeds of $1,258 (1995 – $1,036) and related income tax expense (recovery) of $(220) (1995 – $68) on the sale of 0.6% (1995 – 0.7%) of the common shares of Sudbury Contact, which amount was recorded as a reduction of the net amount ascribed to mining properties described above.

4. LOANS, ADVANCES AND OTHER ASSETS

	1997	1996
Advances to Jakmin Investments Limited	$ 705	$ 705
Deferred foreign exchange loss on U.S. dollar senior convertible notes, less accumulated amortization of $2,393 (1996 – $1,518) *(Note 6)*	8,711	3,757
Deferred financing costs, less accumulated amortization of $1,743 (1996 – $1,298) *(Note 6)*	2,704	3,149
Employees' housing loans, non-interest bearing	62	102
	$ 12,182	$ 7,713

Jakmin Investments Limited ("Jakmin") is a company controlled by the Chairman of the Board of Directors and an officer of the Company as trustees for the estate of the former President of the Company. The advances to Jakmin are non-interest bearing, unsecured and due on demand. The advances were used, in part, to purchase shares of the Company and an affiliate.

(thousands of Canadian dollars, unless otherwise indicated)

5. MINING PROPERTIES

	1997	1996
Mining properties, at cost, net of accumulated depreciation of $28,673 (1996 – $24,930)	**$ 33,530**	$ 78,033
Plant and equipment, at cost, net of accumulated depreciation of $46,666 (1996 – $39,650)	**70,444**	76,802
Deferred expenditures, at cost	**77,408**	98,045
	$ 181,382	$ 252,880

At December 31, 1997, management re-evaluated the carrying values of its mining properties, which consist of its Goldex and Vezza Projects, Sudbury Contact's Victoria Creek Project and other mining properties totalling $51,870, $26,348, $42,601 and $846, respectively. In view of the prevailing market price of gold, management is of the opinion that the carrying value of these mining properties is not recoverable from future operations. Accordingly, mining properties, together with related mine store supplies of $376, have been written down by $105,699, net of related income and mining tax recovery of $16,342.

At December 31, 1997, the Company has assets under construction in plant and equipment totalling $36,582 (1996 – $24,586) not being depreciated presently.

6. SENIOR CONVERTIBLE NOTES

On January 27, 1994, the Company issued U.S.$126,500 aggregate stated amount at maturity of convertible notes due January 27, 2004 for net proceeds of U.S.$101,929 (Cdn.$133,680) after deducting underwriting commissions of U.S.$3,152 (Cdn.$4,134). Other costs of issuing the notes totalled $1,170. The notes bear interest on the issue price of U.S.$830.68 per U.S.$1,000 note at a rate of 5.75% per annum. Current interest equal to approximately 4.21% per annum on the issue price or 3.50% on the stated amount at maturity is payable in cash semi-annually. The balance of such interest will accrue as deferred interest in the period during which the notes remain outstanding. The notes are convertible to common shares of the Company at the option of the holder, at any time on or prior to maturity, at a rate of 55.762 common shares per U.S.$1,000 stated amount at maturity. The notes are redeemable by the Company, in whole or in part, at any time on or after January 27, 1998 for cash in United States dollars equal to the sum of the issue price plus accrued deferred interest and accrued and unpaid current interest.

The Company determined that the fair value of the conversion option associated with the senior convertible notes on the date of issuance was U.S.$16,993 (Cdn.$22,287), which is reflected as "Other paid-in capital". The Company's obligation to the senior convertible note holders for future interest and principal payments is reflected as a long-term liability, carried at amortized cost. The fair value of the Company's obligation to make principal and interest payments at the time of issuance was U.S.$88,088 (Cdn.$115,527). As a result, the effective interest rate on the senior convertible notes for accounting purposes is 8.07% per annum.

The Company's weighted average interest rate on short-term borrowings (amounts due to brokers, which is included in accounts payable and accrued liabilities) in 1997 was 5.9% (1996 – 8.9%; 1995 – 9.1%) and the weighted average interest at December 31, 1997 was 6.9% (1996 – 6.9%; 1995 – 9.2%). For the year ended December 31, 1997, long-term interest expense was $11,608 (1996 – $11,201; 1995 – $11,063).

(thousands of Canadian dollars, unless otherwise indicated)

7. PENSION PLANS

Effective July 1, 1997, the Company's defined benefit pension plan was converted to a defined contribution plan. The defined benefit pension plan is funded based on an actuarial valuation as of July 1, 1997 and projected to December 31, 1997. The components of the net pension recovery are as follows:

	1997	1996	1995
Service cost – benefits earned in the year	$ 33	$ 64	$ 58
Interest cost of projected benefit obligation	205	193	204
Return on assets	(405)	(352)	(326)
Amortization of net transition assets, past service liability and net experience gains	(124)	(97)	(76)
Net pension recovery	$ (291)	$ (192)	$ (140)

Assets of the plan are comprised of pooled Canadian and U.S. equity funds and pooled bond funds. The funded status of the Company's defined benefit pension plan for all employees is as follows:

	1997	1996	1995
Market value of plan assets	$ 5,544	$ 5,357	$ 4,694
Accumulated benefit obligation:			
Vested benefits	$ 2,774	$ 2,702	$ 2,458
Non-vested benefits	–	2	–
Effect of projected future salary increases	–	70	112
Projected benefit obligation	2,774	2,774	2,570
Excess of plan assets over projected benefit obligation	$ 2,770	$ 2,583	$ 2,124
Comprised of:			
Unamortized transition gain	$ 118	$ 126	$ 134
Unearned net experience gain	2,278	2,390	2,073
Prepaid expenses	675	384	192
Past service liability	(301)	(317)	(275)
	$ 2,770	$ 2,583	$ 2,124

(thousands of Canadian dollars, unless otherwise indicated)

At December 31, 1997, the Company's non-registered supplementary executive retirement defined benefit plan has a market value of assets of $22 (1996 and 1995 – nil) and a projected benefit obligation of $2,027 (1996 and 1995 – nil). The pension expense for the year ended December 31, 1997 was $223 (1996 and 1995 – nil). The plan deficiency of $2,005 (1996 and 1995 – nil) at December 31, 1997 represents the unamortized transitional liability for the plan.

	1997	1996	1995
Discount rate	**7.5%**	7.5%	7.5%
Rate of return	**7.5%**	7.5%	7.5%
Rate of salary increase	**6.0%**	6.0%	6.0%
Estimated average remaining service life	**18 years**	18 years	20 years

Effective January 1, 1997, the Company contributes 5% (1996 and 1995 – 4%) of its payroll expense to a defined contribution plan. The expense in 1997 was $1,077 (1996 – $1,152; 1995 – $764).

8. CAPITAL STOCK

Summary of common share transactions:

	1997		1996		1995	
	Shares	Amount	Shares	Amount	Shares	Amount
Common shares issued, beginning of year	**40,098,721**	**$ 174,234**	39,759,506	$ 170,669	39,578,661	$ 169,622
Shares issued under stock options *(Note 8(b))*	**1,565,260**	**7,808**	339,215	3,565	180,845	1,047
Shares issued by public offering *(Note 8(c))*	**4,000,000**	**60,804**	–	–	–	–
Common shares issued, end of year	**45,663,981**	**242,846**	40,098,721	174,234	39,759,506	170,669
Less the Company's own shares held by subsidiary companies *(Note 8(a))*	**1,811,189**	**26,917**	1,272,389	18,735	2,512,909	30,416
Net shares	**43,852,792**	**$ 215,929**	38,826,332	$ 155,499	37,246,597	$ 140,253
Weighted average number of shares outstanding	**42,917,545**		38,741,015		37,136,549	

The Company's common shares are covered by a Shareholder Rights Plan whereby, in the event of certain takeover bids or other change-in-control transactions involving the acquisition of 20% or more of Agnico's outstanding voting shares, each shareholder, other than the acquirer and certain related persons, has the right ("Rights") to purchase from Agnico for an exercise price of $80.00 that number of shares of Agnico having an aggregate market price equal to twice the exercise price. Until such time as a triggering bid for control occurs, the Rights trade together with the existing common shares and will expire on May 10, 1999, unless extended by the Board of Directors.

(thousands of Canadian dollars, unless otherwise indicated)

In addition, the Company has reserved for issuance 7,053,893 common shares in the event that the senior convertible notes are converted into common shares.

(a) Changes in the Company's own shares held by subsidiary companies are as follows:

Transactions affecting own shares	Effect on Company's own shares *(i), (ii)* Shares	Amount
Balance, December 31, 1994	2,814,909	$ 28,185
Purchases of Company's shares by subsidiary companies	596,000	11,191
Sales of Company's shares by subsidiary companies	(898,000)	(8,960)
Balance, December 31, 1995	2,512,909	30,416
Purchases of Company's shares by subsidiary companies	177,180	5,147
Sales of Company's shares by subsidiary companies	(1,417,700)	(16,828)
Balance, December 31, 1996	1,272,389	18,735
Purchases of Company's shares by subsidiary companies	538,800	8,182
Balance, December 31, 1997	1,811,189	$ 26,917

(i) Share transactions are effected at quoted market prices on the transaction dates.
(ii) These shares are owned by partially-owned subsidiary companies.

(b) Employee Stock Option Plan

The Company offers an Employee Stock Option Plan ("Plan") that provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Share options have exercise prices equal to market price of the common shares on the day immediately preceding the date of the grant. The number of shares subject to option for any one person may not exceed 5% of the Company's common shares issued and outstanding at the date of grant. The number of common shares reserved for issuance under the Plan is 6,000,000 common shares and options granted under the Plan may have a term of up to ten years. The Compensation Committee of the Board of Directors is authorized to grant options exercisable in installments on such terms as to timing of vesting or otherwise as it deems advisable. In 1997, 47,000 options (1996 – 1,536,000; 1995 – 29,500) were granted under the Plan, which expire in the year 2007 (1996 – 2006; 1995 – 2005). Of these options, 20% will be exercisable on the date of grant and the remaining 80% of the options granted may be exercised in four equal annual installments beginning one year after the date of grant.

The following summary sets out the activity in outstanding common share purchase options:

	1997		1996		1995	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	**4,862,940**	**$ 14.65**	3,668,955	$ 11.56	3,820,300	$ 11.32
Granted	**47,000**	**13.85**	1,536,000	21.01	29,500	15.99
Exercised	**(1,565,260)**	**4.99**	(339,215)	10.52	(180,845)	5.79
Cancelled	**(520,030)**	**17.69**	(2,800)	17.75	–	–
Outstanding, end of year	**2,824,650**	**$ 19.43**	4,862,940	$ 14.65	3,668,955	$ 11.56
Options exercisable at end of year	**1,625,300**		2,873,640		2,531,155	

(thousands of Canadian dollars, unless otherwise indicated)

The following table summarizes information about the Company's stock options outstanding at December 31, 1997:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at December 31, 1997	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31, 1997	Weighted average exercise price
$13.00 – $15.87	70,000	6.9 years	$14.29 per share	32,000	$14.83 per share
$16.13 – $18.75	1,268,650	6.7 years	$17.78 per share	978,900	$17.76 per share
$21.00 – $24.87	1,486,000	8.7 years	$21.08 per share	614,400	$20.40 per share
$13.00 – $24.87	2,824,650	7.8 years	$19.43 per share	1,625,300	$18.92 per share

The Company has reserved for issuance 2,824,650 common shares in the event that these options are exercised.

The number of unoptioned shares available for granting of options as at December 31, 1997, 1996 and 1995 was 1,423,180, 950,150 and 2,483,350, respectively.

In 1997, the estate of the former President of the Company exercised options to acquire 1,479,000 common shares for cash consideration of $7,369.

(c) In April 1997, the Company issued 4,000,000 common shares at U.S.$11 per share for net proceeds of $56,085, after deducting share issue costs of $4,719.

(d) Commencing January 1, 1998, the Company offers an Incentive Share Purchase Plan that encourages directors, officers and employees ("Participants") to purchase the Company's common shares at current market values. The Company contributes an amount equal to 50% of the Participant's contributions. The Company has reserved for issuance 1,000,000 common shares under the Incentive Share Purchase Plan.

9. CONTINGENCY

On February 11, 1986, Agnico acquired the interest of Noranda Inc. ("Noranda") in Dumagami Mines Inc. ("Dumagami"). In November 1987, Noranda commenced a legal proceeding in the Supreme Court of Ontario against the Company, Dumagami and Mentor Exploration & Development Co., Limited ("Mentor"), a partially-owned subsidiary of the Company, as defendants. The plaintiff's claim arises from the sale by Noranda to the Company in February 1986 of 1,455,163 Dumagami shares.

The claim of Noranda is for:

(i) a declaration that Noranda has a constructive trust over Dumagami shares held by the Company and Mentor;

(ii) alternatively, a declaration that Noranda has a constructive trust on 1,455,163 Dumagami shares sold by it to the Company in February 1986;

(iii) against the Company and Mentor for an accounting of profits from Dumagami shares or alternatively, an accounting from the Company of profits on the 1,455,163 Dumagami shares;

(iv) alternatively, for rescission of the February 1986 sale agreement and return of 1,455,163 Dumagami shares to Noranda; and

(v) against the three defendants for damages in the amount of $40,000 for breach of fiduciary duty and against the Company and Dumagami for breach of contract, negligence and breach of custom and practice.

(thousands of Canadian dollars, unless otherwise indicated)

The plaintiff alleges, inter alia, that the Company and Dumagami failed to make full and timely disclosure to Noranda, prior to the above-noted sale, of the material results, their meaning and the current activity from the Phase I exploration program, as extended, at Dumagami's Bousquet-Cadillac property and did not carry out the exploration in accordance with reasonable or sensible geological practice.

In February 1988, the defendants delivered a Statement of Defense in the proceeding. In their Statement of Defense, the defendants expressly deny all claims of Noranda and assert that Noranda was kept informed on a timely basis of all exploration at Dumagami's property and that Noranda chose to rely on their conduct of the exploration without critical comment or on-site inspections. The defendants assert that Noranda was well aware at the time of the sale that the defendants proposed to continue the exploration program in an effort to increase the known tonnage and grade. The defendants state that Noranda was given all available engineering data and was requested by Agnico to fund jointly the continuing program which Noranda elected not to do, electing instead to sell its Dumagami shares, because of its own historical lack of confidence in the property. The defendants assert that the exploration was carried out in keeping with sound mineral exploration practice in a progressive and cost-conscious manner and to Noranda's satisfaction without intervention by it at any time.

The Company believes that it has a good defense on the merits and has taken appropriate steps to defend the action vigorously. The parties have completed the discovery process and a trial is scheduled to commence on November 9, 1998.

10. INCOME AND MINING TAXES

Income and mining taxes expense (recovery) is made up of the following components:

	1997	1996	1995
Current			
Federal income taxes	$ 747	$ 248	$ 827
	747	248	827
Deferred			
Federal income taxes	(9,688)	(749)	3,877
Provincial income taxes	(6,458)	(499)	2,585
Mining duties	(3,720)	1,200	3,800
	(19,866)	(48)	10,262
	$ (19,119)	$ 200	$ 11,089

(thousands of Canadian dollars, unless otherwise indicated)

Deferred income and mining taxes expense (recovery) results from timing differences in the recognition of revenue and expenses for tax and financial statement purposes. The sources of these differences and the tax effect of each are as follows:

	1997	1996	1995
Depreciation	$ **(3,317)**	$ (3,576)	$ (2,182)
Exploration and development	**(17,149)**	5,187	13,454
Other	**600**	(1,659)	(1,010)
	$ **(19,866)**	$ (48)	$ 10,262

The income and mining taxes expense (recovery) is different from the amount that would have been computed by applying Canadian statutory federal and provincial income tax rates due to the permanent differences noted below:

	1997	1996	1995
Combined federal and composite provincial tax rates	**(38.6)%**	38.3%	38.6%
Increase (decrease) in taxes resulting from:			
Federal surtax	**–**	41.0	1.1
Provincial mining duties	**(2.6)**	284.6	12.0
Resource allowances	**(0.5)**	(209.7)	(9.8)
Depletion	**–**	(97.3)	(7.4)
Processing, investment and treatment allowances, net of disallowed expenses	**–**	(56.9)	(1.0)
Large Corporations Tax	**0.5**	161.3	2.7
Non-deductible expenses	**26.7**	66.0	–
Tax benefit previously unrecognized	**–**	(109.6)	–
Unrecognized benefit of non-capital losses	**0.2**	–	0.3
Rate differential	**0.5**	(35.9)	0.8
Miscellaneous	**0.2**	(43.0)	(2.3)
Actual rate as a percentage of pre-tax income (loss)	**(13.6)%**	38.8%	35.0%

Tax benefits relating to operating and capital losses for accounting purposes of approximately $10,058 and $18,784, respectively, have not been recorded in the accounts.

(thousands of Canadian dollars, unless otherwise indicated)

The Company's subsidiaries have non-capital income tax losses of approximately $6,821, which may be carried forward to reduce future years' taxable income. These losses expire as follows:

1998	$	41
1999		64
2000		210
2001		270
2002		13
2003		2,999
2004		3,224
	$	6,821

The Company and its subsidiaries have approximately $148,909 of cumulative Canadian exploration and cumulative Canadian development expenses available to reduce future years' taxable income.

11. RELATED PARTY TRANSACTIONS

(a) Included in administration expense is $416 (1996 – $410; 1995 – $398) paid to Jakmin for office services provided throughout 1997.

(b) In 1997, the Company and its subsidiaries paid management fees of $1,146 (1996 – $1,333; 1995 – $1,234) to W.A. Hubacheck Consultants Ltd. for exploration, project management and consulting services, of which nil (1996 – $386; 1995 – $371) was capitalized as deferred expenditures. W.A. Hubacheck Consultants Ltd. is a company controlled by Mr. W. Hubacheck and Mr. P. Hubacheck, both of whom are members of the Board of Directors of the Company. Mr. W. Hubacheck was also the President of the Company until February 6, 1998. The services provided included the ongoing management of the Company's exploration and development programs and the provision of all supervisory and field personnel employed on these programs. The Company believes that these management fees are as favourable to the Company as could be negotiated with an unaffiliated party and are recorded at the exchange amount.

(c) In 1996, under the terms of a former President's employment contract with the Company, the Company was required to pay to his estate upon his death an amount of $1,000 per annum for five years. On November 5, 1996, the Board of Directors agreed to settle the entire obligation by approving a one-time $5,000 payment to his estate, less the amount of loans and advances of $1,724 and accrued interest aggregating $1,010 owed by him to the Company prior to his death. The Company received interest income in 1996 of $85 (1995 – $121) from these loans and advances.

(thousands of Canadian dollars, unless otherwise indicated)

12. FINANCIAL INSTRUMENTS

The Company uses financial instruments, primarily forward foreign exchange contracts and foreign currency options, to hedge its exposure to the U.S./Canadian dollar exchange rate as a result of receiving the majority of its revenue in U.S. dollars. In 1995, the Company set up a U.S.$13 million unsecured hedging facility with a Canadian chartered bank for the potential exposure associated with foreign exchange and gold hedging products. The Company has entered into the following foreign currency options contracts with a Canadian chartered bank to hedge its 1998 and 1999 U.S. dollar revenues (December 31, 1996 – 1997 U.S. dollar revenues):

As at December 31	1997	1996
U.S. dollar call options sold		
Amount	**U.S.$42 million**	U.S.$24 million
U.S./Cdn. weighted average exchange rate	**Cdn.$1.3903**	Cdn.$1.3838
U.S. dollar put options purchased		
Amount	**U.S.$6 million**	U.S.$30 million
U.S./Cdn. weighted average exchange rate	**Cdn.$1.3895**	Cdn.$1.3623

In 1997, the costs related to these foreign currency option arrangements of $987 (1996 – $333; 1995 – nil) were amortized to income. Also, at December 31, 1997, the Company has outstanding foreign currency forward exchange contracts that represent a net commitment to sell U.S. dollars of approximately U.S.$17 million throughout 1998 at a weighted average exchange rate of Cdn.$1.4156. At December 31, 1997, the aggregate unrealized deficiency of the net market value of the Company's hedged foreign currency position, after amortization of related costs, amounted to $1,368. Since the Company intends to hold its hedging contracts until their delivery dates, these unrealized changes in value do not affect the contracted hedge price that the Company will ultimately receive.

The Company's exposure to interest rate risk at December 31, 1997 relates to its short-term investments and its amount due to brokers included in accounts payable and accrued liabilities of $92,375 and $6,580, respectively (1996 – $76,576 and $2,112, respectively). The Company's short-term investments have a fixed weighted average interest rate of 4.5% (1996 – 2.9%) for a period of 28 days (1996 – 57 days). Interest charges on the amounts due to brokers are based on the prevailing market rate of interest *(Note 6)*.

The Company's exposure to credit risk at December 31, 1997 approximates the carrying amounts of its financial assets. In addition, the Company has outstanding letters of credit amounting to $4.3 million for which fees vary up to 1% per annum.

The fair values of the Company's current financial assets and current and non-current financial liabilities approximate their carrying values as at December 31, 1997. The fair value of the Company's senior convertible notes, including holders' conversion option, at December 31, 1997 is $108,449 (1996 – $156,545).

(thousands of Canadian dollars, unless otherwise indicated)

13. RECONCILIATION TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which differ in some respects from those in the United States. The following table presents amounts that would have been reported had the Company's consolidated financial statements been prepared on the basis of United States accounting principles:

	1997	1996	1995
Consolidated statements of income (loss):			
Net income (loss) for the year as shown in the consolidated financial statements	$ (121,594)	$ 316	$ 18,613
Items having the effect of increasing (decreasing) reported income (loss)			
Interest expense *(a)*	3,820	2,131	2,102
Deferred foreign exchange gain (loss) *(b)*	(5,648)	(358)	4,611
Related income and mining taxes *(a), (b)*	1,075	102	(1,789)
Net income (loss) under accounting principles generally accepted in the United States *(d), (f), (k), (l), (m)*	$ (122,347)	$ 2,191	$ 23,537
Basic earnings (loss) per share *(c), (k)*	$ (2.85)	$ 0.06	$ 0.63
Fully diluted earnings (loss) per share *(c), (k)*	$ (2.85)	$ 0.05	$ 0.62
Consolidated balance sheets:			
Supplies *(e)*	$ 4,995	$ 5,435	$ 4,013
Investments, loans, advances and other assets *(a), (b), (l)*	$ 3,948	$ 5,212	$ 5,703
Mining properties *(f)*	$ 182,990	$ 277,584	$ 225,424
Accrued liabilities *(e)*	$ 5,827	$ 5,351	$ 5,853
Wages payable *(e)*	$ 1,657	$ 3,987	$ 1,877
Amounts due to brokers *(e)*	$ 6,580	$ 2,112	$ 6,038
Senior convertible notes *(a)*	$ 160,453	$ 151,228	$ 147,926
Deferred income and mining taxes *(a), (b), (d), (f), (g)*	$ 9,549	$ 57,011	$ 48,252
Common shares *(g), (h)*	$ 338,457	$ 272,747	$ 269,182
Other paid-in capital *(a)*	$ –	$ –	$ –
Contributed surplus *(i)*	$ 10,714	$ 10,714	$ 10,799
Deficit *(a), (b), (g), (h), (i), (k), (l)*	$ (206,395)	$ (82,792)	$ (79,715)
Total shareholders' equity *(a), (b), (k), (l)*	$ 115,859	$ 181,934	$ 167,088
Total assets *(a), (b), (d), (f), (l)*	$ 328,019	$ 433,544	$ 399,980
Advances to officer and to the Employee Stock Purchase Plan (deducted in arriving at shareholders' equity) *(l)*	$ –	$ –	$ 2,762
Consolidated statements of cash flows *(j)*:			
Interest paid during the year (net of amounts capitalized in 1997 of $1,608 (1996 and 1995 – nil)) *(a)*	$ 4,894	$ 6,195	$ 6,742
Income and mining taxes paid during the year	$ 3,087	$ 3,137	$ 727
Net change in non-cash working capital balances related to operations:			
Gold bullion and bullion awaiting settlement	$ 14,124	$ (15,982)	$ (26,006)
Accounts payable and accrued liabilities	$ 2,212	$ (2,631)	$ (4,450)
Cash provided by (used in) operating activities	$ 12,242	$ (3,315)	$ 16,685
Cash used in investing activities *(a)*	$ (62,891)	$ (56,473)	$ (63,150)

(a) In 1996, under Canadian accounting principles, the Company retroactively presented the separate equity and liability components of the senior convertible notes. This accounting policy is not permitted under United States accounting principles. Accordingly, additional interest expense determined under Canadian accounting principles has been deducted to arrive at net income (loss) and proceeds allocated to holders' conversion option would be classified as a non-current liability rather than equity under United States accounting principles.

In addition, $858 of financing costs associated with the equity component of the senior convertible notes, which has been charged against retained earnings under Canadian accounting principles in 1994, has been classified as deferred financing costs under United States accounting principles.

Under United States accounting principles, for the year ended December 31, 1997, interest expense of $1,608 (1996 and 1995 – nil), less related deferred income tax expense of $619 (1996 and 1995 – nil), would have been capitalized as part of plant and equipment in mining properties.

main source

(b) United States accounting principles require that the deferred foreign exchange loss, net of income tax recovery (expense) of $1,694 in 1997 (1996 – $102; 1995 – $(1,789)), be included in the determination of income.

secondary source

(c) In 1997, the Company retroactively adopted the requirements under United States Financial Accounting Standards Board ("FASB") Statement No. 128 concerning the calculation of earnings per share, which is effective for fiscal periods beginning on or after December 15, 1997. Fully diluted earnings (loss) per share under United States accounting principles for 1997, 1996 and 1995 has been calculated using the weighted average number of shares and share equivalents outstanding under the treasury stock method of 42,917,545, 40,353,665 and 38,239,031, respectively.

(d) The Company, in 1993, adopted the requirements of FASB Statement No. 109, for purposes of preparing financial information in accordance with United States accounting principles, which requires the liability method of accounting for income taxes, on a prospective basis effective January 1, 1993. The effects on net income of FASB Statement No. 109 for each of the years in the three-year period ended December 31, 1997 are not material.

(thousands of Canadian dollars, unless otherwise indicated)

As at December 31, 1997 and 1996, the Company's deferred tax assets and liabilities under the requirements of FASB Statement No. 109 are as follows:

	1997		1996	
	Assets	Liabilities	Assets	Liabilities
Non-Current:				
Income taxes:				
Mining properties *(f)*	$ –	$ –	$ –	$ 24,704
Plant and equipment	5,872	4,909	3,061	6,898
Deferred expenditures	46,869	9,567	5,453	12,797
Foreign exchange loss	2,612	–	918	–
Net operating and capital loss carry-forwards	9,715	–	8,939	–
Other	1,402	752	97	–
Valuation allowance	(48,648)	–	(15,139)	–
Total non-current	$ 17,822	$ 15,228	$ 3,329	$ 44,399
Mining taxes:				
Plant and equipment	$ 2,670	$ 5,177	$ 702	$ 5,400
Deferred expenditures	15,470	10,006	6,293	10,541
Other	–	930	–	–
Valuation allowance	(14,170)	–	(6,995)	–
Total non-current	$ 3,970	$ 16,113	$ –	$ 15,941
Net non-current deferred income and mining taxes liability		$ 9,549		$ 57,011

At January 1, 1997, the valuation allowance was $22,134 (January 1, 1996 – $21,337). In 1997, the valuation allowance increased by $40,684 (1996 – $797) primarily as a result of the effect of the write down of mining assets of $122,041 for which a tax benefit was not fully recognized.

(e) The United States Securities and Exchange Commission ("SEC") requires disclosure of amounts in excess of five percent of either total current assets or total current liabilities.

(f) At January 1, 1996, mining properties and deferred income taxes – non-current both increased by $21,670 as a result of the application of FASB Statement No. 109 to the Company's acquisitions of subsidiary companies.

During 1997, the Company increased its ownership interest in Sudbury Contact *(Note 3)* and other subsidiary companies, which results, under United States accounting principles, in an increase of $3,283 (1996 – $3,034) to both mining properties and deferred income taxes – non-current.

At December 31, 1997, as a result of the write down of mining properties as described in *Note 5*, both mining properties and deferred income taxes – non-current decreased by an additional $27,987 under United States accounting principles.

(thousands of Canadian dollars, unless otherwise indicated)

(g) United States accounting principles require that share issue costs of $11,260 (1996 – $8,358), net of related income tax recovery of $1,817 (1996 – nil), be recorded as a reduction of proceeds of issue instead of a charge to the retained earnings (deficit) account as has been done under Canadian accounting principles.

(h) Generally accepted accounting principles in Canada allow for the reduction of the stated capital of outstanding common shares with a corresponding offset to deficit. This reclassification, which the Company made prior to 1995, is not permitted by United States accounting principles and would result in an increase in both capital stock and deficit of $106,871 at December 31, 1997, 1996 and 1995.

(i) The Company's interest in a subsidiary company which owns shares in Agnico has been accounted for on the cost basis prior to 1982. Subsequent thereto, the consolidation or equity method has been applied, as appropriate. United States accounting principles require that the consolidation or equity method be applied retroactively to the date of acquisition. This difference affected contributed surplus to the extent that the subsidiary company recorded gains and losses on sales of Agnico shares prior to 1982 and affected retained earnings to the extent of Agnico's share of gains (losses) of the subsidiary company prior to 1982. As a result, deficit and contributed surplus are increased by $1,232 under United States accounting principles.

(j) United States accounting principles require disclosure, on a cash basis, of interest paid (net of amounts capitalized), income and mining taxes paid and changes in certain components of working capital. In addition, United States accounting principles do not permit the inclusion of gold bullion and bullion awaiting settlement in the definition of cash used to analyze cash flows. Changes in such items would be presented as operating activities.

(k) The United States FASB has issued Statement No. 123 concerning the accounting for stock-based compensation, which is effective for fiscal years beginning on or after December 15, 1995. The Company, for purposes of preparing financial information in accordance with United States accounting principles, continues to account for its stock-based Plan under Accounting Principles Board Opinion 25 "Accounting for Stock Issued to Employees", which results in the recording of no compensation expense in the Company's circumstances. On a pro forma basis, 1997 net earnings (loss) and earnings (loss) per share would have been $(124,549) (1996 – $(1,088); 1995 – $23,532) and $(2.90) (1996 – $(0.03); 1995 – $0.63), respectively, after giving effect to the grants subsequent to 1994. The weighted average grant date fair value of options granted during 1997 amounted to $3.91 per share (1996 – $5.86 per share; 1995 – $3.54 per share). The estimated fair value of the options is amortized to expense over the options' vesting period.

The Company estimated the fair value of options under the Black-Scholes option-pricing model and the following weighted average assumptions:

	1997	1996	1995
Risk free interest rate	**6.0%**	5.5%	5.6%
Expected life of options	**4.2 years**	4.3 years	3.3 years
Expected volatility of the Company's share price	**28.5%**	25.7%	22.6%
Expected dividend yield	**0.84%**	0.63%	0.86%

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. As the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions, such as expected stock market price volatility, can materially affect the fair value estimate, in management's opinion, the existing pricing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

(l) The United States SEC requires that the $5,000 payment referred to in *Note 11(c)* be recorded as compensation expense, which reduces 1996 operating income to $6,652.

In 1995, advances to officer have been included in "Investments, loans, advances and other assets" in the consolidated balance sheets. The SEC requires that such accounts receivable be presented as deductions from shareholders' equity.

(m) The United States FASB has issued new standards for reporting comprehensive income under Statement No. 130, and disclosures about business segments and related information under Statement No. 131, both of which are effective for fiscal years beginning on or after December 15, 1997. Statement No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose consolidated financial statements. All items that are required to be recognized under these new standards as components of comprehensive income will be displayed as part of the Company's reconciliation to accounting principles generally accepted in the United States. Statement No. 131 establishes revised segmented disclosures based on the structure adopted by management of the Company for its own internal monitoring activities. The Company has not yet determined the effect of adopting this new standard.

DIRECTORS AND OFFICERS

Agnico-Eagle Mines Limited

Directors *(from left to right)*

John T. Clement, Q.C.
Vice-President,
Agnico-Eagle Mines
Limited

Irving Dobbs
President, Dobbs & Co.
Insurance Limited

Wencel A. Hubacheck
Consulting Geologist,
W.A. Hubacheck
Consultants Limited

Milton Klyman, CA
Financial Consultant

Bernard Kraft, CA
Chartered Accountant

Charles E. Langston
Chairman,
Agnico-Eagle Mines
Limited

James D. Nasso
President, Unilac Limited

Dr. George A. Pon
Professional Engineer

Ernest Sheriff
Self-Employed Prospector

Dr. Alan Green
Dentist

Doug R. Beaumont
Professional Engineer

Sean Boyd
President and
Chief Executive Officer,
Agnico-Eagle Mines
Limited

Officers

Charles E. Langston
Chairman

Sean Boyd
President and
Chief Executive Officer

Ebe Scherkus
Executive Vice-President

Barry Landen
Vice-President and
Corporate Secretary

Anton Adamcik
Vice-President,
Exploration and Environment

John T. Clement, Q.C.
Vice-President

OPERATING PERSONNEL

Agnico-Eagle Mines Limited

Consultants

W.A. Hubacheck Consultants Limited
Consulting Geologists

John M. Mortimer, B.Sc., P.Eng.
Consulting Metallurgist

Mining Personnel

LaRonde Division (from left to right)

Paul Henri Girard
Mine Manager

Jean Bastien
Chief Engineer

Marcel Bordeleau
Chief Accountant

Roger Lacerte
Mine Superintendent

Felix St. Amant
Chief Electrician

Claude Leveillée
Human Resources

Marc H. Legault
Chief Geologist

Jean Robitaille
Mill Superintendent

Daniel Morin
Mechanical Superintendent

Silver Division/Victoria Creek

John Young
Project Manager

Exploration Division

Alain Blackburn
Chief Geologist

DESIGN: Ove Design & Communications Ltd. www.ovedesign.com TYPESETTING: Moveable Type Inc. PRINTING: Quebecor Merrill Canada Inc Printed in Canada

CORPORATE INFORMATION

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Exploration Division

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Solicitors

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1201 New York Avenue N.W.
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Form 20-F

A copy of the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission is available upon written request, at no charge, from the Corporate Secretary at the Company's executive and registered office.

Pour obtenir un exemplaire de la version française de ce rapport,
veuillez écrire au Chef des finances,
Mines Agnico-Eagle Limitée
Bureau 2302
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Toronto (Ontario) M5H 2Y4

Registrar and Stock Transfer Agent

Questions on stock transfer, change of address, lost certificates and dividends should be sent to:

Montreal Trust Company of Canada
151 Front Street West, 8th Floor
Toronto, Ontario M5J 2N1
Telephone: (416) 981-9500

Place Montreal Trust
1800 McGill College Ave.
Montreal, Quebec H3A 3K9
Telephone: (514) 982-7000

Co-Registrar and Co-Transfer Agent New York

Bank of Nova Scotia
Trust Company of New York
One Liberty Plaza
New York, N.Y. 10006
Telephone: (212) 225-5470

Bankers

Canadian Imperial Bank of Commerce
Toronto, Ontario

The Toronto-Dominion Bank
Toronto, Ontario

Stock Exchange Listings

The Toronto Stock Exchange
Montreal Exchange
Trading Symbol AGE
New York Stock Exchange
Trading Symbol AEM
Convertible Notes due 2004
NASDAQ Symbol AEGGF

Annual Meeting of Shareholders

June 12, 1998, 10:30 a.m.
Toronto I Room
Toronto Hilton Hotel
145 Richmond Street West
Toronto, Ontario, Canada


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